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ABSTRACT

This document records the oral and written testimony of persons testifying at Congressional hearings about proposed amendments to change and improve the Job Training Partnership Act (JTPA) of 1982. Witnesses testifying and/or presenting written testimony at the hearings included several Representatives, the Secretary of Labor (Lynn Martin), and representatives of local JTPA programs, Private Industry Councils, literacy programs, unions, and public agencies in the New Jersey and Pennsylvania areas. Witnesses said that there is concern about lack of oversight and fraud in the program, but that audits have found the actual incidence of fraud to be very small. Witnesses also stressed that the program has been successful and that more complicated government regulations could do more harm than good. Changes were suggested to allow the program to serve more than the "cream" of the eligible population, and additional funding was proposed to expand JTPA services to more than the 5 percent that are presently being served. More stringent and specific performance standards were also advocated. (KC)

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HEARINGS ON PROPOSED AMENDMENTS TO THE JOB TRAINING PARTNERSHIP ACT

HEARINGS

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

HEARINGS HELD IN WASHINGTON, DC, MAY 9 AND 21, AND
BELLMAWR, NJ, JUNE 17, 1991

Serial No. 102–24

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HEARING ON PROPOSED AMENDMENTS TO STRENGTHEN THE JOB TRAINING PARTNERSHIP ACT

THURSDAY, MAY 9, 1991

House of Representatives,
Subcommittee on Employment Opportunities,
Committee on Education and Labor,
Washington, DC.

The subcommittee met, pursuant to call, at 1:05 p.m., Room 2261, Rayburn House Office Building, Hon. Carl C. Perkins [Chairman] presiding.

Members present: Representatives Perkins, Andrews, Gunderson, and Molinari.

Also present: Representative Goodling.

Staff present: Omer Waddles, staff director; Pat Fahy, senior legislative analyst; Deborah Katz, office manager; John Fitzpatrick, clerk; Tracy Hatch, minority professional staff member; and Beth Buehlmann, education coordinator.

Chairman **Perkins**. I'd like to call this hearing to order since the Secretary of Labor has arrived.

Good afternoon, and welcome to the Subcommittee on Employment Opportunities' hearing on proposed amendments to improve the Job Training Partnership Act. While I welcome each witness, I especially want to welcome my friend and former colleague, our new Secretary of Labor, Lynn Martin. This is the Secretary's first appearance before this subcommittee, and we look forward to her testimony on the administration's proposal to amend JTPA.

Over the last couple of years, there have been numerous proposals to amend this program. While separate versions of amendments passed both the House and Senate last year, I am committed to taking a renewed look at all proposed amendments beginning with today's hearing.

Since JTPA's enactment into law in 1982, there have been countless articles and reports criticizing various aspects of this program. Many of these criticisms have revolved around "creaming" and targeting issues. In general, the JTPA program has been accused of serving the "most likely to succeed" and not those "most in need" of services. In addition, some reports have claimed that the most comprehensive training services have been provided to the most job ready and not the least skilled. Numerous reports have also charged State and local JTPA programs with widespread waste, fraud, and abuse.

The General Accounting Office and the Department of Labor's Office of the Inspector General are here today to discuss their most recent investigations into these issues and to make recommendations to address them. One point that has been repeatedly emphasized in these reports is the lack of Federal and State oversight and guidance for these programs. I believe that the Congress and the administration are in agreement on the need to increase oversight of this program, and I look forward to working with each of our witnesses as well as my colleagues on the subcommittee and the Committee on Education and Labor to draft amendments to JTPA.

I know that each of us here today is committed to improving JTPA and to ensuring that we make this a strong, viable program. Currently, JTPA serves only about 5 percent of the eligible population. If we are ever to solve the overwhelming problems of unemployment, poverty, crime, dependency, and utter hopelessness among so many in our Nation, we must provide better opportunities and alternatives for productive employment.

JTPA is sometimes called the "second chance" system for dropouts, the poor, and the uneducated; however, for many youths and adults, JTPA is the "last chance" to attain the education and vocational skills necessary to be productive contributors to our society, not dependents on it. JTPA, when at its best, can provide the tools necessary to lift people out of poverty and despair.

This week in our Nation's capital, we witnessed an example of what happens when frustrated, poor, and unemployed people are deprived of adequate opportunities to provide for themselves and their family. For this segment of our population, the work place offers little more than dead-end jobs with less than poverty wages. This pent up frustration and hopelessness led to an explosion of random violence. I wonder how much of this rioting could have been prevented had basic skills and job training been available to all those in need instead of only the 5 percent it is now reaching.

We as a Nation can and must do much more to address the poverty, unemployment, and despair that exist in every community in our country. JTPA has the potential to provide meaningful employment opportunities to the most disenfranchised segment of our population.

As the new chairman of the Subcommittee on Employment Opportunities, I am committed to improving and expanding JTPA to address the desperate needs of the disadvantaged in our Nation. I look forward to hearing the testimony of each of our witnesses here today.

Mr. Gunderson, do you have an opening statement?

Mr. GUNDERSON. Thank you, Mr. Chairman, and I am going to be brief and ask unanimous consent that a long statement might be inserted in the record.

I want to join with you in welcoming our friend and former colleague. I was almost going to say "former friend and colleague," and I was going, "Wait a minute." I understand the proper roles here between the two agencies' levels of Government, but we want to be careful about that.

We are delighted you are back and look forward to the outstanding leadership that you can and will provide at the Department for us.

There is one area that I would like to focus on in opening remarks, however—and it may be a difference in tone, because I think that when all is said and done, Chris Perkins and Steve Gunderson will be on the same side and the same side, hopefully, of the administration in a bipartisan bill. But I would like people in this room to understand that there are some of us who believe that we are simply trying to make a good program better, and I simply reject much of the discussion that has occurred in this country over the last few years about how bad the job training program is.

This program was created with the intent of having local flexibility to respond to the unique job training needs and emergencies of diverse areas. Chris and I come from rural areas. We ought to have very different service delivery areas and job training programs than exist in New York City or Miami. I have witnessed in my district just in the past few months the closing of the largest manufacturing facility in my district with some 4,000 jobs being laid off. Under this program, Secretary Jones and others were able to respond, and respond quickly and affirmatively, so that we could move in with discretionary funds to provide the kind of emergency training that was needed.

So I am more than happy to work with everyone in this room to make a good program better. I am not interested in dismantling, rewriting, or rejecting the foundation under which the Job Training Partnership Act exists today.

With that, I look forward to the efforts, Mr. Chairman, and certainly our first witness. Thank you.

[The prepared statement of Hon. Steve Gunderson follows:]

The Honorable Steve Gunderson
Subcommittee on Employment Opportunities
Hearing on Proposed Amendments to JTPA
May 9, 1991

Opening Remarks

Thank you, Mr. Chairman. I am personally pleased that we are holding this hearing today -- and I'm sure many if not all of those here share that sentiment. It is certainly more than time for us to move ahead with these amendments, that we strengthen and "fine-tune" the Job Training Partnership Act, and that we put to rest once and for all the impression that has been left in the public's mind that this program is "the next Savings and Loan scandal."

We began the process of amending JTPA in the last Congress. Regrettably, our efforts did not meet with success, despite continued attempts to reach compromise both within the House and between the two bodies of this Congress on key issues. After the disappointment of last year, I am pleased that both Chairman Perkins and Chairman Ford have pledged to work with myself and Mr. Goodling to cooperatively and carefully craft a bipartisan proposal which will address the needs of the JTPA program and its participants.

As we work to craft our amendment package, there are several key issues which must be addressed:

> Are those most in need of JTPA services being effectively targeted? How should we determine "most in need?" I feel strongly that the "most in need" are those with skill deficiencies which too often present insurmountable barriers to employment, not those who simply fit a certain "demographic profile."

- How can we best ensure the fiscal integrity of the JTPA program? Do we need to craft and statutorily impose JTPA-specific principles for administration and accounting? Will simply adopting the OMB Circulars meet our purpose? Is some hybrid of the two the best solution? What are the impacts for the system of these various proposals?
- How can we best promote the continued cooperation and conversation between the various human services providers who work with JTPA's eligible population?
- How can we best serve the youth who come to JTPA? Should we consolidate all youth services into one year-round program or should we retain the successful summer youth component of JTPA as a separate and distinct program?
- How should we handle State set-asides? Should this money be reallocated? Should new purposes be emphasized or required? Are these programs meeting the needs they were intended to address?

Clearly, there are many questions which need to be posed and answered, and many different proposals to be evaluated and melded to arrive at the best response for the JTPA programs.

This hearing is just the first step. I am sure that the testimony from our distinguished witnesses this afternoon will help us frame our debate and spur us to move quickly with legislative action.

I thank the Chairman.

Chairman **Perkins**. Thank you, Steve, for those excellent comments.

Madam Secretary, once again we would be pleased to hear from you.

STATEMENT OF HON. LYNN MARTIN, SECRETARY OF LABOR, U.S. DEPARTMENT OF LABOR, WASHINGTON, DC, ACCOMPANIED BY ROBERTS T. JONES, ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING

Secretary **Martin**. Thank you. Current friends, thank you.

I am pleased, of course, to be here to discuss how we can make the JTPA more effective in meeting the needs of the least skilled and most economically disadvantaged youth and adults.

As Secretary of Labor, I have, and I would hope every Secretary of Labor would have, a goal of ensuring that America has a quality work force second to none. One means of achieving this goal is to increase the number of American workers who benefit from training or work-related education. We are hearing talk of that in the President's Strategy for America 2000. Another way is to upgrade the quality of our training and worker-related systems, a key component which is the Second Chance System, and that, of course, is JTPA.

It has been an excellent program which, in many ways, has received the acclaim it deserves because there have been some remarkable successes. Its record in placing participants in jobs is unparalleled. I, as a Member of Congress, just as Congressman Gunderson, and I know you, too, Congressman Perkins, have stories about JTPA.

Rockford, Illinois had a small program for high school dropouts. It was called Martin House. I must tell you quickly it was named for Martin de Porres, not for me. It served the most disadvantaged segments of the Rockford community. Two-thirds of those who went through the program were placed in jobs or went on to further training.

But we can make JTPA better and we can make it more responsive to the labor market needs of the 1990's.

After 10 years of operation, it is time to reassess the program and to make needed changes. We need a broad bipartisan consensus on those changes, and I think that has emerged. The consensus was evidenced last year by the passage of the amendments in the House. Only two Members in either the House or the Senate voted in opposition.

Then there was, indeed, a slight problem, as you know, the rush to adjournment—let's suffice to call it that—so that a few minor differences weren't resolved. I don't think any of us want that to happen again. It is my conviction that we can make a difference and we can pass the right kind of legislation in both Houses and have it signed. That will enhance the integrity of the program and, I hope, make it even more effective.

In some respects, the bill that we will submit will be similar to the bill submitted in 1989. But we have incorporated some new features that were part of continuing negotiations with the staffs and with the Members who, I think, have come up with some excellent ideas. We have also incorporated some features that were included in the House bill and in the Senate bill last year. I hope that that combination is a winning one, and we look forward to making sure that the final product reflects the knowledge of this committee and the help of the House.

The bill is based on five principles: First, we maintain the successful cornerstone of the current program. While the bill does talk about changes, the basic structure of the delivery system is kept, particularly the public/private partnership. I believe that has been a critical part in obtaining not just the success but the job placement percentages. We want to continue to tap the energies and talents of those who have been responsible for the success, and that is States, private industry councils, local officials, and others. They will continue to be responsible. States and local delivery areas will continue to have flexibility to design programs tailored to their individualized markets. The system of performance standards, which helps to ensure accountability, also remains an integral part of the program.

The second principle—and, Mr. Chairman, you alluded to this in your opening remarks—is improving targeting on those most in need or most at risk. One of the criticisms of JTPA has been that it is not focused on those who really have and are facing long-term failure in the job market. Our proposal responds to the criticism in several ways: by revising the eligibility criteria to assure that JTPA serves those with particularly significant barriers; by changing the funding allocation formulas to redirect funds to areas with greater numbers of the disadvantaged population; and by authorizing a new Youth Opportunities, or YOU program. We have got to have those acronyms to make the program work. YOU is targeted on areas with high poverty and would stimulate community-wide action to improve the opportunities for youth. Targeting would be further enhanced by establishing separate programs for youths and adults.

The third principle is achieving human resource program coordination. That is kind of a bureaucratic way of saying we have to make it work better. The bill would establish specific requirements for linkages with other programs, such as JOBS, to avoid duplication and enhance service delivery. It would establish a new State Human Resource Investment Council to oversee the State level coordination of Federal human resource programs. Moreover, we will propose to increase the impact of the current education coordination grant authority by focusing on two critical needs: school-to-work transition and adult literacy.

The fourth principle is enhancing the quality of the program itself. We believe that that can be done by providing more intensive and comprehensive services to participants. We will require that all participants be assessed to determine their skill levels, needs, and interests. On the basis of that assessment, a service strategy would be developed. The SDA's would be asked to offer appropriate service options so that participants' needs can be individually met. To clarify expectations and enhance accountability, local programs would provide achievement objectives for participants.

Compared with the current program, our proposal would also provide for more intensive services. It would place increased emphasis on the acquisition of basic and occupational skills, and it would allow follow-up assistance for one year after a participant enters the labor market. Finally, summer jobs for youths would be integrated with longer-term education and training services.

A fifth and obviously extraordinarily important principle is fiscal accountability. As you are aware, some aspects of JTPA have received criticism from the Department of Labor's own Inspector General, the GAO, and the press. Our proposal contains provisions to respond to what is often legitimate criticism of the program. We would require that the governors establish and implement procurement standards for JTPA to ensure accountability and to prevent fraud and abuse. We would also ensure that compliance with the standards is closely monitored and that when and where a problem arrives corrective action is promptly taken or sanctions are applied. Other provisions, such as those requiring the charging of expenditures to appropriate cost categories and restricting the use of program income, would also promote fiscal integrity.

Mr. Chairman, I know that Congress has a full agenda of labor and human resource issues, but it is important that we don't delay consideration of these amendments. I believe there is a consensus in favor of these changes to JTPA that could mean and should mean prompt action. We must hold the Second Chance job training system accountable to the highest standards of excellence and integrity. By so doing, we increase the opportunities available to our economically disadvantaged to attain independence and to improve the work force itself.

Mr. Chairman, members of the committee, I bring with me today one of the experts in the field, Assistant Secretary of Labor Bob Jones. He or I will be happy to respond to any questions that you have, and I repeat again our desire to work closely with the subcommittee, the full committee, the House, and then the Senate to make sure we have quick and bipartisan passage of this necessary set of amendments.

Thank you.

[The prepared statement of Hon. Lynn Martin follows:]

STATEMENT OF
LYNN MARTIN
SECRETARY OF LABOR
BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES
COMMITTEE ON EDUCATION AND LABOR
U.S. OF REPRESENTATIVES

May 9, 1991

Mr. Chairman and Members of the Subcommittee:

I am pleased to have the opportunity to appear before some of my former colleagues to discuss how we can make the Job Training Partnership Act (JTPA) more effective in meeting the needs of the least skilled and most economically disadvantaged youth and adults.

As Secretary of Labor, one of my goals is to ensure that America has a quality workforce which is second to none. One means of achieving this goal is to increase the number of American workers who benefit from training or work-related education, as proposed in the President's AMERICA 2000 Education Strategy. Another means is to upgrade the quality of our training and work-related education system, a key component of which is our principal "second chance" job training program -- JTPA.

JTPA has achieved remarkable success. Its record in placing participants in jobs is unparalleled. We can, however, make JTPA even better and more responsive to the labor market of the 1990's. After nearly ten years of operation, it is time to reassess the program and make some needed changes.

A broad, bipartisan consensus has emerged on the changes we need to make to JTPA. This consensus was evidenced late last year by the passage of JTPA amendments in the House and Senate with only two members voting in opposition. Unfortunately, an impasse over the impact of funding formula changes, the press of other business, and the rush to adjournment did not allow sufficient time for differences to be resolved. We must not lose another opportunity to improve JTPA. We must act quickly to revitalize JTPA, elevate it to a higher standard of excellence, and enhance the integrity of the program.

The proposal we will transmit is in many respects similar to the bill submitted by the Administration in 1989. We have also incorporated some features that were included in the House and Senate bills passed last year, and have made several important changes based on discussions with our Inspector General, representatives of the JTPA system, and Congressional staff.

Our bill is based on five key principles. First, we would maintain the successful cornerstones of the current JTPA program. It is important to emphasize, Mr. Chairman, that while our bill proposes important changes to JTPA, we would retain the basic structure of the delivery system -- particularly the public-private partnership -- that has been, in our view, a critical factor in the program's success. We want to continue to tap the energies and talents of those who have been responsible for this success -- States, Private Industry Councils, local elected officials, and others. Private Industry Councils will continue to be responsible for planning and oversight of JTPA programs. States and local service delivery areas will continue to have the flexibility to design programs tailored to their labor markets. The system of performance standards, which helps to ensure accountability, also remains an integral part of the revised program.

Our second principle is improving targeting on those most in need or at-risk. One of the major criticisms of JTPA has been that it has not focused on those most at-risk of long term failure in the job market. Our proposal responds to that criticism in several ways: by revising the eligibility criteria to ensure that JTPA serves those with particularly significant barriers to employment; by changing the funding allocation formulas to redirect funds to areas with greater numbers of the disadvantaged population; and by authorizing a new Youth Opportunities Unlimited (YOU) Program, targeted on areas with high poverty, that would stimulate community-wide action to improve opportunities for youth. Targeting would be further enhanced by establishing separate programs for youth and adults.

Our third principle is achieving human resource program coordination. This will be promoted in many ways. The bill would establish specific requirements for linkages with other programs, such as JOBS, to avoid duplication and enhance the delivery of services. It would establish a new State Human Resource Investment Council to oversee State-level coordination of Federal human resource programs. In addition, we will propose to increase the impact of the current education coordination grant authority by focusing it on two critical needs: school-to-work transition and adult literacy.

A fourth principle is enhancing program quality. This would be accomplished by providing more intensive and comprehensive services to participants. We would require that all participants be assessed to determine their skill levels, needs and interests. On the basis of that assessment, a service strategy would be developed. Service Delivery Areas would be asked to offer appropriate service options, so that a participant's needs can be met. To clarify expectations and enhance accountability, local programs would provide achievement objectives for participants. Compared with the current program, our proposal also would provide for more intensive services; it would place increased emphasis on the acquisition of basic and occupational skills; and it would allow follow-up assistance for one year after a participant enters the labor market. Finally, summer jobs for youth would be integrated with longer-term education and training services.

A fifth and final principle is increasing accountability. As you are aware, some aspects of JTPA have received criticism from the Department of Labor's Office of the Inspector General, the General Accounting Office and the press. Our proposal contains provisions to respond to legitimate criticisms of the program. We would require that the Governors establish and implement procurement standards for JTPA to ensure fiscal accountability and prevent fraud and abuse. We also would ensure that compliance with the standards is closely monitored and that where problems arise, corrective action is promptly taken or appropriate sanctions are applied. Other provisions, such as those requiring the charging of expenditures to appropriate cost categories and restricting the use of program income, would also promote fiscal integrity.

Mr. Chairman, I know that the Congress has a full agenda of labor and human resource issues to address this year, but it is important that we not delay consideration of these amendments. I believe there is a consensus in favor of these vital changes to JTPA that should enable prompt action. We must hold our second chance job training system accountable to the highest standards of excellence and integrity. By so doing, we increase the opportunities available to our economically disadvantaged to obtain economic independence and improve the skills and productivity of our workforce.

Mr. Chairman, this concludes my prepared statement. I would certainly be happy to respond to anv questions that you or other members of the Subcommittee may have.

Chairman Perkins. Thank you, Madam Secretary.

Mr. Gunderson.

Mr. Gunderson. Thank you, Mr. Chairman.

I have a number of questions, so you may want to tell me when my time is up, and I will continue in the next cycle, or whatever the case might be.

Chairman Perkins. Take your time, Steve.

Mr. Gunderson. First of all, Madam Secretary, there have been a number of allegations raised against JTPA programs as you mentioned in your accountability standard with large amounts of "questioned expenditures cited." Can you follow through with us and share with us the final resolution of some of those audits. You can take a particular State, for example, if you want—however you would like to do that.

Secretary Martin. Sure.

Mr. Gunderson. But there seems to be a problem between allegations and reality here, and I would like to understand how you handle that.

Secretary Martin. Two ways: One, say something we all already know, and that is, sometimes there is more interest in the allegations than in what finally happens. The percentage of fraud in JTPA is estimated at less than 1 percent. So I just want to set the record straight. That doesn't mean that there haven't been some problems, some of which are addressed in this bill and others of which are being addressed through the rule-making process. In other words, it would have been less than responsible of the Department of Labor to not attempt to take care of some of those situations by the rule-making process, and we are doing that right now.

I will also point out that, with any audit, the final determinations of the audit and the review are always publicly available, and I think that is important to note.

Do you have any more comments on the audits, since you have been so integrally involved in all of those, Bob?

Mr. Jones. I think that a general rule is that the questioned costs, usually on average, result in something around 50 percent actual disallowed costs when we are finished and all is said and done. They range from as low as 5 or 6 percent of the questioned costs up to about 50 percent, and the case that people speak of most often, I guess, is Oregon, which was $54 million questioned and ultimately $3.2 million of actual disallowed costs that were, in fact, collected back, most of the rest of it being documentation that was later found or clarified or records that were found and/or cost category judgments where things were moved from one category or another. But the actual cash collected back was $3.2 million.

Mr. Gunderson. One of the apparently more recent decisions by the administration focuses on the use of the OMB circulars. Do you want to comment on exactly where that is and what you see the implications of that being for States and SDA's?

Secretary Martin. I think we have reached considerable agreement finally on this delicate issue. It may be an agreement that satisfies no one totally but I think does answer what is important. May I first suggest that JTPA is slightly different than other areas where circulars are used, but the goals of the circulars and the goals of the accountability that we want for JTPA are the same. So the bill that we will be bringing to you has agreement from OMB about how we will achieve that goal. Again, since negotiations have occurred on every level with this—again, our Inspector General, this Secretary, the members of the administration, I think, are all seeking the same goal, and I hope we have at least got a measure of consensus now.

Mr. JONES. I think that certainly we are all in agreement on the issues that need to be addressed, and in the legislation that will be placed in front of the committee within the next couple of days we address each of those areas. Circulars will not be applied in that legislation based on the thesis that this is still a program with local flexibility that is not necessarily standardized across the board.

However, every provision in those circulars that has any direct applicability to the issues that have been raised by the Inspector General, GAO, and other such reports has been applied and, in many, many cases, applied in substantially more detail and further than the circular itself would lay out.

There are two problems generally with the circulars. One is that significant parts of the circular simply aren't relevant. They are standardization for standardization purposes and deal with reporting and prior approvals, things that just aren't in the program and don't result in much improvement.

Secondly, they frequently don't go to what the problem has been. We have not exactly determined, for example, that State policy in procurement is the problem. What has happened is, the States haven't carried out their own policies, managed them at the SDA level, and then monitored it and enforced those policies. This legislation will contain very specific provisions in those areas far beyond what the circulars have in them.

Mr. GUNDERSON. Actually, Mr. Secretary, that is part of my concern.

You mention in your statement, Madam Secretary, on page 4, "We would require that Governors establish and implement procurement standards for JTPA to ensure fiscal integrity." It was not even a conservative Democrat on this committee, it was one who would certainly put himself even more in the liberal category, and that is not meant in any way as a negative statement, but Pat Williams has sat on this committee and on the full committee many times and said the one problem we have with JTPA is that all the regulations, rules, and mandates, and paperwork that we eliminated at the Federal level have been duplicated twice over by the States.

I have a real concern that what you are going to do here is end up creating a federally funded, State regulated program that is going to eliminate much of the flexibility that we still are trying to seek at the local level. What kind of assurances can you give me that that won't happen in this process?

Secretary MARTIN. You mean aside from, "We're from the Government, and we're here to help you?"

We are trying to move on that path, and it is a delicately balanced one, and we welcome, first of all, the committee's input. We have been talking to the staff and to the committee all through this process about making sure, on one hand, the principle of fiscal accountability is kept and, on the other hand, the principle of local flexibility and some local decision making, really—empowerment—kept on the other. We think we have reached that balance.

In other words, you can't just say, well, we are not going to do anything and it will all work out, or, conversely, that from here we will impose this overwhelming set of criteria that will just make the program fall under its own weight, and we wind up spending so much money on the accounting part of it that we won't help the kids we are trying to help. I think we have hit the middle ground, and we welcome your looking at it and seeing if there is something better.

The reason I think we have met the middle ground is, no one likes it a lot and no one can think that there is a slightly better way that brings the parties together. So I think we may be at one of those moments on this part of the bill, and, believe me, every single part of what you are saying is also partially true, where we think we have hit that balance.

The guarantee—I don't think we come with this kind of bill without the guarantee, that we feel so strongly—that is, the Department of Labor—about JTPA and our determination to make it a full success that that guarantee for the young people that may be helped is so real, we don't want to overburden it. I hope you feel we have hit the middle ground, too.

Mr. **Gunderson**. You call for the establishment of a new State Human Resource Investment Council. Last year, in the reauthorization of Vocational Education, we tried to do a statewide coordinating council and we failed miserably in that regard. I would be curious as to what programs you intend to include under yours, and I would really like some encouragement, because I think I support this concept. Why do you think we are going to be successful here when we weren't last year?

Secretary **Martin**. Because we are putting you in charge of it, Congressman.

Mr. **Gunderson**. I told you I failed.

Secretary **Martin**. Well, one cannot always guarantee success, but one should still try for the best things.

Bob, are you getting the list?

Mr. **Jones**. Yes. Basically, the core, as you know, is JOBS, voc-ed, JTPA, and then there is the employment service, and there are several other pieces.

Mr. **Gunderson**. Do you include adult education, too? That was in last year's plan—adult education, vocational education, job training, Wagner-Peyser, part F of title IV of the Social Security Act.

Secretary **Martin**. Right.

Mr. **Jones**. The second part of your question is a tough one for all of us, but I would suggest that, given the President's education agenda and the broad agenda that this committee has even dealt with on integrating services in a variety of ways continues to increase the atmosphere in which a number of proposals will be coming along focused this way. So we just assume that the atmosphere is worth continuing to raise this issue whether it is in this bill or another bill, as you have shared, at the State level. I don't think people care an awful lot about which program those services come from, and getting them together to plan together is an important thing to do.

Secretary MARTIN. I understand, Congressman, that there are some groups that, for whatever reason, feel less comfortable with this. But I would also add that when the Congress and the President looked at changes in budget formulation, that acted as an additional incentive to make sure we are able to do this. There is a limited resource here called money, and if we don't spend it as well as we know how—and that means not necessarily separate castles but kind of a joint defense here—then we aren't serving the people that all of us claim to want to serve, so we have got to try and it just seems to me the temperature is a little different out there. We will see.

Mr. GUNDERSON. Let's hope.

My final question, Mr. Chairman, focuses on the area of summer youth programs. It is no secret, at least to Mr. Jones, that I and Chairman Hawkins last session both felt very strongly about the summer youth program. You are again advocating that this program ought to be consolidated with a year-round youth program. I guess I am giving you an opportunity now to convince me that you are right and we are wrong.

Secretary MARTIN. Secretary Jones.

Mr. JONES. I seldom get it from both sides.

I think that there was a very constructive dialogue with this committee last year when we made this proposal to you and the chairman at that time on the necessity to not simply address only employment for 7 or 8 weeks during the summer but to address the needs of these young people on a broader base, through whatever mechanism. Our proposal is to set up a year-round youth program.

One of the discussions in this committee was to link the two in one way or another. I think that it is the substance here that is important more than anything else. We just can't continue to put these folks through summer programs without addressing what we know are employment barriers down the road. That is more true today than it was a year ago as we sat here. It is true in the whole education debate. Whatever mechanism we choose to employ to address that, I think it is important that we do and not just walk away from it.

Secretary MARTIN. Although I am certainly willing to keep the good humor, it still remains an important issue, and I have come not to disbelieve in summer youth programs, because they have a niche. But as a former teacher I have come increasingly to believe that that drop in achievement in August in some ways makes them far less useful. Some of these kids are more and more at risk, to use the current terminology, and really require this.

So understanding the political implications, in this case the assistant secretary is absolutely right. The substance is correct, and we should be talking and moving on it. As you look at it, we all know that bills are adapted and changed, and certainly both of us understand that. But this really does have some substantive issues that are politically difficult but are real, and the more I look at these programs, the more convinced I become.

Mr. GUNDERSON. The only concern I think we have is that the year-round program may result in the elimination of a lot of summer programs.

Secretary MARTIN. It is expensive, but the other thing you are going to find out when you look at this—and I would be less than responsible if I didn't tell you—is that we are finding we have to be more intensive, not less intensive in our work with these individuals, and that very intensity is more expensive.

Mr. GUNDERSON. Thank you, Mr. Chairman.

Chairman PERKINS. Thank you, Mr. Gunderson.

Just following up on that briefly, can you tell us the total number of youth that would be served in title II(a) and II(b) in your proposal compared to the total now served based on level funding?

Secretary MARTIN. Sure. I am not going to beat around the bush with this one—okay?—because there are a few clever ways I could state it, but why don't we get right at it.

Half a million in the year-round program. That is more than are now enrolled but is less than the total would have been if we had kept the summer youth program and a year-round program. In other words, I am not going to make you fish for that answer.

If we had done it the old way, we would have served more, we just don't think as wisely. Five hundred thousand. If you did it the other way, 648,000. We don't think it ends up we truly serve them.

I hope that is at least, as I say, honest. Maybe it is not what people would like to hear, but that is the honest answer on it.

Chairman PERKINS. Okay. I just wanted to get that while Steve was talking about it.

Secretary MARTIN. Yes, it is true.

Chairman PERKINS. Ms. Molinari, do you want to ask some questions right now?

Ms. MOLINARI. I have no questions, Mr. Chairman.

Chairman PERKINS. Okay. Then I will go on with some more that I have in my mind.

Secretary MARTIN. Sure. Please, Mr. Chairman.

Chairman PERKINS. Well, I see Mr. Andrews is here. I will ask him—do you have any questions that you want to ask?

Mr. ANDREWS. Yes, I do.

Chairman PERKINS. Okay. Please go ahead.

Mr. ANDREWS. Thank you, Mr. Chairman.

Secretary MARTIN. Hello.

Mr. ANDREWS. Madam Secretary, I apologize for not being here for your entire time.

I am very interested in the Job Training Partnership Act because my experience before I came here was as a county official which was one of the grantees, a local employment and training center, and one concern that was brought to our attention is the inadequacy of administrative cost availability for the local grantee.

I met with the grantees in the three counties that comprise my Congressional district, and there was a twofold concern. One is that the quantity of dollars available for the administrative activities of the grantees is insufficient, and two is that, as more mandates pile up, as flexibility becomes less for the local grantees, it becomes even more difficult to achieve those administrative objectives.

I wonder if you could respond to those two concerns.

Secretary **Martin**. Yes. First, we have tried to retain flexibility within our constraints. As you know, to have a successful program, it must also be fiscally responsible. We, too, heard some of the same complaints on dollars. You will find that in the bill there is an increase for administrative costs to 20 percent. I suppose, on the one hand, one can argue someone always wants a little more, but we think that was a direct answer to some very legitimate problems, as you know from being a former county official.

Mr. **Andrews**. Thank you. Let me ask you a related question. The county officials in New Jersey, the part of the State I represent, were interested in being involved in what you might call a competitive evaluation situation, where the size of the JTPA grant would be tied to the quality of performance of the local grantee. Given what I would call, to borrow from Olympic diving, a difficulty factor, clearly it is a lot more difficult to place an 18-year-old unwed mother who is a high school dropout than it is a 35-year-old mechanical engineer. If there could be some allowance for the difficulty in the job market for that, my local grantees express a great desire in having a new means of evaluating local grantees that would be performance based where, if they do a better job placing participants, they would receive a relatively higher grant share in the next year, and the further concept we talked about was almost banking your JTPA allocation. So, in effect, the Department would set up a line of credit almost for the local grantee where you could draw upon future years' outlays if there was an immediate need, provided that you met the kind of quality criteria we are talking about. How would you respond to something like that?

Secretary **Martin**. The first part of the idea was so good, we put it in the bill.

Mr. **Andrews**. You have been reading my mail again?

Secretary **Martin**. We did; we did. Actually, we just said, if we can hang around Congressman Andrews' office we can——

Mr. **Andrews**. That is right. I wondered who that was, and now I know.

Secretary **Martin**. Lurking. So there is performance data that will be used, and we tried to do it in such a way so you didn't get into that very argument, and part of it was to answer the questions of "creaming." So these things are tied together.

The second part of your question about being able to bank future allocations, I think, gets us into other problems of a different nature. So without commenting bad or good, I am just saying I am not sure about even the legality.

Mr. **Andrews**. Let me give you an example of what I mean. In my district, there was a major plant closing. Campbell Soup Company closed a plant in March of 1990 which had 950 workers. The JTPA program in the county of Camden is a very successful and well managed one given the high quality of local leadership in the last few years.

Secretary **Martin**. It has lost some by it, but others have gained, yes.

Mr. **Andrews**. There was an immediate need which was served by a discretionary grant. The Secretary made a discretionary grant. But there was an immediate need for a very high level of job training overnight because 950 people were out of work on a

Monday morning. There was some interest, and, instead of waiting for the discretionary grant dollars to come through—and they did not come through, I believe, until October, after a March lay-off—and the county being able to say because we have a good track record, because we have had successful audits, have not demonstrated any fiscal irresponsibility, we can draw down on some existing funds already committed to us to meet this discretionary need and then use the discretionary funds to replenish the other accounts later on—in other words, give the local unit the ability to respond to its more immediate needs.

Secretary **MARTIN**. Without commenting one way or another and seeing some problems that some of you who have been involved in the budget and appropriating process may be aware in doing something like that, we will be happy to take a look at that. It is certainly a creative idea.

Mr. **ANDREWS**. Fine. One other question, and I appreciate the specificity of your answers. Obviously, you have been on this side of the table much more than some of the others that we ask questions of.

Secretary **MARTIN**. Maybe I should learn to just say, "Sir, that is fine. We will see."

Mr. **ANDREWS**. That is right. That would be the answer I usually hear.

The third question is, what kind of interaction are we anticipating between the jobs program, the welfare reform program, and the ongoing JTPA effort?

I will tell you that among the most successful examples of JTPA activity I have seen locally are those where the New Jersey welfare reform program, a program called REACH, has been married institutionally and programmatically with the existing JTPA effort. What kind of provisions are we going to make for that?

Secretary **MARTIN**. Actually, in my opening statement, I specifically was able to talk about how we think there has to be at least an engagement between them if there cannot always be a full marriage, but there has to be, and that multiplicity of services ends up being good for the person one is trying to help but good for the programs, and there has to be that. So in the bill we actually speak to that.

Now other members of the panel point out that supporting that doesn't necessarily mean it happens, but you happen to be absolutely right. There have to be those kinds of marriages; and I would like to compliment Assistant Secretary Jones who I think is working very hard to make sure that is happening in part of the bill.

Mr. **ANDREWS**. I would also mention, he was kind enough to provide for me very early on this year a briefing, I think prior to your appointment, about that, and I appreciate that as well.

Thank you.

Chairman **PERKINS**. Thank you, Mr. Andrews.

Ms. Molinari, do you have anything at this time?

Ms. **MOLINARI**. No, thank you.

Chairman **PERKINS**. Okay. Madam Secretary, if I could just ask you a couple of questions, and I realize you are on kind of a short leash here, but while you're here——

Secretary MARTIN. A short leash?

Chairman PERKINS. Nothing personal.

Secretary MARTIN. I know.

Chairman PERKINS. In terms of some of the money that we are talking about for the program, last year, based on passing a budget contingent with the President's plan, they were talking about a $300 million increase. This year I notice it is pretty much level funded. What sort of plans do you have in terms of working out priorities with OMB to see some increases here either supplementing this year or in the fiscal year 1993 budget?

Secretary MARTIN. Again, I return to the agreement passed by the Congress, and that does limit our ability. In effect, it limits what you can do in a supplemental, as you know.

I passed this on to you, Mr. Chairman, yesterday in the middle of a committee meeting. One of the members of that committee in the other body suggested a $50 billion increase, which is almost twice what my entire Department does now in everything. Assistant Secretary Jones, as I recall, was for that. Although I was going to add on to the building, reason brings us to. We are beginning to develop the 1993 budget within the Department. This is an extraordinarily important part of the program, but I cannot tell you, nor should I, that there is suddenly going to be more money this year; there is not; the budget agreement precludes that.

Chairman PERKINS. Madam Secretary, I understand some of the problems that we all face. This program did not receive an inflation increase this year.

Secretary MARTIN. There are other areas—and I am not going to go into them, but we lost $400 million in administrative costs in the budget passed by the House for unemployment insurance, which I still don't understand. How we can talk about increasing unemployment and cutting it back by $400 million?

I can just assure you of this. I will, as a relatively new Secretary but someone pretty familiar with the budget process, be working very diligently to make sure these programs get as much as they are able. This is a good program; it is just a doggone good program. No one is ever going to get all that they want, but it is a good program, and I would like to see it at the appropriate funding level.

Chairman PERKINS. I just want to encourage you to try to fight with OMB to place it a little higher on the list of funding priorities.

Let me ask you a little bit about how you think we can best serve some of the most at risk populations. There was a GAO study that said that only around 12 percent of the dropouts that were served actually were given any sort of remedial education along with it. Now according to some of the drafts we have seen, you seem to be moving towards addressing some of the problems that you have there. I would like you to elaborate a little for us, if it is not too much trouble.

Secretary MARTIN. No, it is not at all.

Chairman PERKINS. How do you think we should be approaching this?

Secretary MARTIN. I am going to give the 20 seconds and let Bob go on with it, but it is desperately important that we do that. Fiscal accountability is partially a driving force here.

Let me also assure you that making sure we are just not doing the same things for a nice group but not the real group that we should be helping—I am determined that that not happen, that the targeting be real and that we, as difficult as it is, try to break that cycle.

If Bob will go on—I think in the series of amendments we will be offering, that I hope will enjoy your support, we address at the problem.

Mr. **JONES**. The issue is addressed in two significant ways, both on the targeting side. The new eligibility criteria state you not only have to be disadvantaged but, also, a set percent both of youth and adult have to be either school dropouts or have one of a series of other very specific deficiencies. In the case of youth, 60 percent must be out of school. So the bill is very targeted on that group.

Perhaps more important, however, is, having said that, when you get over to the services side, assessment is required and we require that services meeting the needs identified in that assessment be provided. So if it is a dropout who, in fact, has an educational deficiency, that is going to be dealt with before we wander off and put them in OJT or something else.

Chairman **PERKINS**. I am not trying to get into the problem of the OMB circulars, which was discussed earlier, but how do you reward those SDA's that are going ahead and not just doing the "creaming" but are using this approach and getting the most difficult to serve and giving them the remedial education?

Secretary **MARTIN**. Mr. Chairman—and I think we have discussed this—as you know, regrettably, I have another place that I have to be. May I be excused to leave it in the good hands of Assistant Secretary Jones?

Chairman **PERKINS**. Absolutely.

Secretary **MARTIN**. I hope to come back often. Thank you.

Chairman **PERKINS**. Madam Secretary, we are pleased to have you here, and we will look forward to having you with us again.

Secretary **MARTIN**. Thank you.

Chairman **PERKINS**. Thank you.

Go ahead, Bob.

Mr. **JONES**. Mr. Chairman, currently the performance standards system is based on credits for service to the hard to serve and higher levels of services.

Secondly, in this bill we now add into that system educational attainment for adults, so that there is credit given, in fact, for serving them and for getting a grade gain, or however we measure that, for service to those people.

The question then becomes, how much weight do you put on such assistance?

Chairman **PERKINS**. Yes, it does.

Mr. **JONES**. We don't have a specific answer to that. It has worked remarkably well and, as you know, is now a model for a number of other programs. Clearly, all of us are going to have to sit and look at it, as Mr. Andrews suggested, and ask whether we can move more weight into that system and give more credit.

I would add, what I just described in terms of eligibility for service is relatively universal. We are going to move from a program that had no definition beyond disadvantaged to very tightly constrained definitions. So everyone is going to be serving that clientele to that degree.

Chairman **Perkins**. Included, I guess, in that was some sort of, well, Brownie points for educational——

Mr. **Jones**. Gain.

Chairman **Perkins**. [continuing] gain.

Mr. **Jones**. Yes, sir.

Chairman **Perkins**. I noticed in reading the Inspector General's report last night that he was opposed to that concept for adults. How would you respond to that?

Mr. **Jones**. You know, one of the classic debates——

Chairman **Perkins**. It was GAO. Excuse me.

Mr. **Jones**. Yes—in this business, and we ourselves, as you recall, started this out, moving our credit to placement as the most important outcome of any of these programs, and we have now backed off into this educational gain for the very specific reason that we have found—and the Inspector General has, in fact, criticized the program for this—an emphasis on placement as a goal without giving the services that increase people's long-term employability.

So I think the issue of making sure that we serve people in a way that not only results in employment but gives them the ability to use that employment and move up the line is every bit as important as just a job.

I would be less than sanguine if I didn't suggest that this is a very important issue that lies between JTPA and JOBS. The JOBS legislation, as you may recall, says the first test is, put people in jobs regardless of their needs, and we would argue that we need to look at these two concepts as to which is a better payoff and which is more important. We believe that educational gain is very important.

Chairman **Perkins**. Mr. Secretary, I think we are going to take a little break here so that I can go to vote, and I will be back very shortly. You are welcome to stay if there is not too much difficulty.

With that, we will take a very short recess.

[Recess.]

Chairman **Perkins**. Mr. Secretary, I appreciate your patience. Let me ask you something about "on-the-job training." There has been some legitimate criticism, I think, of some of the practices that have been employed in the past on the OJT situations. How do you think your proposed amendment on OJT is going to address the reverse referral program?

Mr. **Jones**. Let me divide it into two parts. Number one, both GAO and the Inspector General have raised these issues; they are absolutely right. We have put provisions in the basic bill that limit the time a participant can be in OJT, the time allowed for training, and who can be in OJT that addresses each of their concerns.

The issue, as we know it, is an issue called brokering that has popped up since last year's discussion. We have put some things in this bill to deal with that issue to clearly identify who, in fact, is the liable party and who is the referral party and whom the decisions are to revert back to if, in fact, a problem occurs in the system. We think these will address the problems we have had in a couple of recent audits around these brokers. We have had a couple of serious problems. We think these provisions will address that directly.

Chairman **Perkins**. In terms of some of the regulatory changes that perhaps you are prepared to make before we see any sort of new law that comes on the books, could you tell us what is in store for us in the immediate future?

Mr. **Jones**. I think that the issues we published in the *Federal Register* when we announced that cover each of the basic areas that the Inspector General and the GAO have raised—from OJT to the administrative process, procurement, financial accounting, cost categories, and a number of those areas.

Most of the language that was there and that we have dealt with in the public discourse since that time is in our bill now. Our final decision as to what to do with that will depend on our sense of which parts we think are best legislated and which parts we want to address in the regulatory process. We intend to come to this committee to make that decision and to share how we think that ought to be worked out.

Chairman **Perkins**. I appreciate that, Mr. Secretary.

Steve, do you have any more questions?

Mr. **Gunderson**. No, thank you.

Chairman **Perkins**. Thank you very much for your testimony, Mr. Secretary, and we will be communicating again in the very near future, I am sure.

Mr. **Jones**. Thank you, Mr. Chairman.

Chairman **Perkins**. With that, we would like to call on the next panel: the Honorable Julian De La Rosa, Inspector General, Department of Labor, accompanied by Gerald Peterson; and Franklin Frazier, Director of Education and Employment, Human Resources Division, GAO, accompanied by Sigurd Nilsen.

Gentlemen, we are pleased to have you with us today, and I'd like to recognize the Inspector General, Julian De La Rosa.

If you will just give us your statement, then we will be prepared to go on to Mr. Frazier.

STATEMENTS OF HON. JULIAN DE LA ROSA, INSPECTOR GENERAL, U.S. DEPARTMENT OF LABOR; ACCOMPANIED BY GERALD PETERSON, ASSISTANT INSPECTOR GENERAL, OFFICE OF AUDIT; FRANKLIN FRAZIER, DIRECTOR OF EDUCATION AND EMPLOYMENT, HUMAN RESOURCES DIVISION, GENERAL ACCOUNTING OFFICE, AND SIGURD NILSEN, ASSISTANT DIRECTOR FOR LABOR ISSUES

Mr. **De La Rosa**. Thank you, Mr. Chairman.

I will attempt to summarize my statement and ask that the statement, in its entirety, be entered into the record.

Chairman **Perkins**. Without objection, it is so ordered.

Mr. **De La Rosa**. Mr. Chairman and members of the subcommittee, thank you for inviting me to testify before you today in my capacity as the inspector general of the U.S. Department of Labor. I hope that my comments about our experiences in reviewing the Job Training Partnership Act as well as our suggestions for improving its operation will be useful to this committee as it evaluates the various proposals for amending JTPA.

I am accompanied this afternoon by Mr. Gerald Peterson, who is the Assistant Inspector General for the Office of Audit, and he brings with him, I should say, the historical and institutional knowledge of our involvement in JTPA.

Before discussing our findings and recommendations, I would like to express my appreciation to this subcommittee for its continuing interest and efforts to develop and support programs to assist our most disadvantaged citizens to become productive members of society. We are pleased to have the opportunity to work with you and the subcommittee staff in this important endeavor.

I would also like to commend Secretary Martin for her leadership in job training initiatives and to recognize the extensive effort by the Employment and Training Administration, which has worked with our office to improve the operation of JTPA.

My testimony today focuses on the results of our reviews of the JTPA program, as well as our concerns for much needed program improvements to increase accountability for the expenditure of program funds. The suggestions are based on work we have done and reported in semiannual reports to the Congress over the years. I am providing specific recommendations for amendments to improve accountability and also enable the program to accomplish its mission more efficiently.

Specifically, I am asking the Congress to consider the following: first, to clarify its intent regarding the classification of JTPA as a block grant; second, to adjust the program targeting to ensure that the greatest number of the most disadvantaged are served by the program, thereby creating the most productive return on the JTPA investment; third, to bring cost accountability to the program by eliminating the single unit charge allowance for performance-based contracts and by assuring that procurement standards are adopted to eliminate abusive practices; fourth, to create parallels between titles II and III of JTPA by establishing in title II a fourth cost category for employment assistance services and by having the limitations on costs apply to SDA funds expended rather than funds available; and, lastly, to eliminate confusion and improve accountability by providing definitions for the cost categories.

Nine years have now passed since the Congress enacted the Job Training Partnership Act. With its enactment, the Congress signaled a profound change in the way the Nation's employment and training programs were to be designed and administered. For the first time, emphasis was placed on the involvement of the private sector in both its role as majority partner in designing local programs and as actual provider of training and services for participants. For the first time, governors were granted significant flexibility to determine policies and procedures for implementing the program in their States. Also, for the first time, the Congress stipulated that the performance of service delivery training programs was to be assessed against performance standards which were to be based upon the private sector concept of the return on investment. In this case, our investment is in human capital.

I wholeheartedly support these program design principles. However, as all too often happens, some of the design got lost in the implementation, and the implementation of this program is a key to understanding many of the problems we currently face.

The JTPA statute contains no language disclosing congressional intent that it is to be considered a block grant. However, titles I, II, and III of the program were implemented as a block grant and continue to be treated as such.

Perhaps the most significant aspect of the departmental adoption of this block grant philosophy was the waiver granted to the JTPA program from the administrative requirements of the OMB circulars. These circulars govern cost, fiscal, and administrative principles for the majority of Federal grants and cooperative agreements with State and local governments and nonprofit entities. They establish a uniform basis for the working relationship between these entities in the expenditure of Federal program funds and they provide guidelines to address such issues as allowable costs, profits for governmental and nonprofit organizations, use of program income, real property acquisition and disposition, procurement, financial reporting, and grant closure.

JTPA regulations, issued in 1983 by ETA, contain some of the circulars' normal requirements, but for the most part they defer to the governors in the establishment of basic program guidelines, interpretations, and definitions.

It is important that the governors play a major role and have sufficient flexibility in determining program policy and procedures. However, in the JTPA program we believe that the pendulum may have swung too far. The Federal entity in this partnership has not fulfilled its responsibilities to establish fundamental parameters for the program based upon statutory language. This has weakened the Federal-State partnership, leaving the system without adequate leadership. As a result, the program suffers from a serious lack of uniform control and guidance.

OIG believes that adoption of the OMB circulars, through a reversal of block grant status for the JTPA program, would provide uniform requirements throughout the JTPA system and address most of the procurement, profit, cost accountability, and financial reporting deficiencies reported by the Office of Inspector General since the inception of the program.

In section 106, Congress stipulated that it viewed the JTPA program not as an expense but as an investment in human capital. The Congress further stipulated that its objective was to see that there was a productive return on this investment. Congress defined a productive return as being increases in participant employment and earnings and a decrease in the amounts paid to participants through welfare benefits.

In order to achieve this end, the Congress directed the Secretary of Labor to establish performance standards to measure the system's accomplishments. There was to be, in essence, a new bottom line for employment and training programs.

Our reviews have shown evidence of "creaming" in the JTPA program—that is, serving only the easiest to place participants. We found that approximately 60 percent of all JTPA participants had graduated from high school and that about 60 percent of the employers who receive OJT training subsidies say they would have hired the participant without the subsidy.

We do not believe this is what the Congress had in mind when it called for a productive return on the JTPA investment. There is nothing more wasteful in the employment and training arena than operating a program that trains people who only marginally need training for placement with employers who would have hired and trained the people without the program.

Mr. Chairman, the draft JTPA bills now under consideration recognize this program weakness and propose tighter eligibility criteria to focus the program more precisely on those most economically disadvantaged and skill-deficient participants, and we support this and encourage you to make the necessary changes to direct the program to those who need it the most. This is the surest way to achieve the most productive return on tax dollars.

The second most critical issue after targeting is the adherence by SDAs to the statutory limitations on costs as well as the system's use of single-unit charging of fixed unit price, performance-based contracts in order to circumvent this portion of the law.

JTPA requires the following: one, not less than 70 cents of every dollar expended is to be spent on training; two, not more than 15 cents of each dollar on administration; and, three, not more than 30 cents of each dollar on a combination of administration and participant support activities.

Unfortunately, in implementing the law, ETA inserted into the regulations a provision which has tended to mask true administrative expenditures. This insertion allows all costs to be charged to the training cost category if the agreement with the provider is for training, is fixed unit priced, and calls for placement of the participant into the occupation trained for at a wage which is not less than that which is specified in the agreement.

While seemingly innocuous on the surface, this regulation allows all costs to be charged to training if fairly specific conditions are met. However, ETA failed to specifically define "training." In practice, the JTPA system has grown to consider all manner of activities as training—to the point where some of our audit work disclosed that the entire spectrum of SDAs' activities were classified as training and were provided under a single fixed unit price contract.

Beyond this obvious definitional problem, no uniform requirements exist for specific cost and price analyses to arrive at a fair unit price. SDAs, in practice, have arrived at their prices in many cases simply using what the contractor demands. This lack of cost and pricing analysis becomes even more significant when you consider OIG's audit findings that approximately 40 percent of all JTPA funds are expended via noncompetitive sole source procurements.

We believe that there can be validly written and properly performed fixed unit price contracts. If these contracts are let competitively, if good cost and pricing analyses are an integral part of establishing fair compensation for services, and if true risk is imposed upon the private sector contractor for the opportunity to earn profits, this type of contracting can serve to achieve a better, more effective JTPA deliverable.

Mr. Chairman, I have referred only to the private sector contractor as having an opportunity to earn profits. Governmental entities should not need a profit motive to provide services for otherwise eligible recipients. Accordingly, I am troubled with the idea that

Governmental and nonprofit entities, who provide JTPA services under any contracting method, should be allowed to generate profits. Nonprofit operators, on the other hand, could be allowed an administrative fee, as the OMB circulars would provide. Profits, however, defined as an excess of revenue over costs, should be available only to the private sector and should be tightly controlled through sound procurement practices over fixed unit price, performance-based contracting.

Beyond the position that better procurement practices must be instituted, single unit charging of the vast majority of fixed unit price, performance-based contracts is also a problem. The single unit charging allowance has negatively affected program operations, caused widespread circumvention of Congressional directives for minimizing administrative activities, and has been detrimental to JTPA participants by diverting resources that otherwise would have been spent on their training.

Fortunately, most of the pending JTPA bills have provisions that move toward establishing necessary procurement controls. Also, these bills reassert the requirement that all costs are to be charged to the appropriate cost categories, with one very limited exception.

We have a further recommendation that will bring greater cost accountability to the program and bring JTPA titles II and III into concert with each other. When JTPA title III, the Economic Dislocation and Worker Adjustment Assistance (EDWAA) program legislation, was enacted in 1988, the Congress established a cost category for employment assistance services to segregate those funds spent for services from those spent on direct training.

A common criticism of JTPA has been that the majority of its training expenditures has actually been spent on assistance services rather than skill-building training. Isolating these costs from training costs will provide valuable oversight information for this committee and for the Department of Labor on how funds are actually expended and will better assure that the program emphasis remains on training, which is the most effective means to achieve long-term employability and self-sufficiency.

EDWAA also stipulated that the cost limitations were to apply to funds expended rather than funds available, and unexpended funds were subject to annual reallotment. Currently, title II cost limitations are applicable to funds available for a given program year. Because of the three-year life of JTPA funds and ETA's allowance that unexpended title II funds be carried over from year to year without reallotment and without tracking by year of appropriation, there is no way to determine an SDA's compliance with cost limitation requirements.

Applying the title III requirements to title II will provide the Congress and the Department with a much clearer picture of how JTPA funds are expended. Additionally, it will allow for unexpended funds to flow to those entities making greater use of JTPA funds. Finally, if the "funds expended" language is coupled with a requirement for ETA to track SDA expenditures by year of appropriation, it will allow for an assessment of compliance with the costs limitations that currently does not exist for title II.

In closing, I believe that JTPA has greater potential to create a better and more productive life for the disadvantaged citizens that it was designed to serve. It also has the clear potential for delivering the productive return on its investment in human capital that the authors intended. The legislative process will undoubtedly result in adjustments to the program to increase its ability to accomplish these goals. To the extent that my office can continue to assist this committee and your staff in that process, my staff and I stand ready to help in whatever way we can.

This concludes my prepared statement and summary, and I would be pleased to respond to any of your questions.

[The prepared statement of Hon. Julian De La Rosa follows:]

STATEMENT OF
JULIAN W. DE LA ROSA
INSPECTOR GENERAL
U.S. DEPARTMENT OF LABOR
BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES
COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES
MAY 9, 1991

Mr. Chairman and Members of the Subcommittee, thank you for inviting me to testify before you today in my capacity as the Inspector General of the U.S. Department of Labor. I hope that my comments about our experiences in reviewing the Job Training Partnership Act (JTPA), as well as our suggestions for improving its operation, will be useful to this Committee as it evaluates the various proposals for amending JTPA. I am accompanied this afternoon by Gerald Peterson, the Assistant Inspector General for Audit.

Before discussing our findings and recommendations, I would like to express my appreciation to this Subcommittee for its continuing interest and efforts to develop and support programs to assist our most disadvantaged citizens to become productive members of society. We are pleased to have the opportunity to work with you and the Subcommittee staff in this important endeavor.

I would also like to commend Secretary Martin for her leadership and job training initiatives and to recognize the extensive effort by the Employment and Training Administration (ETA), which has worked with the Office of Inspector General (OIG) to improve the operation of the JTPA.

My testimony today focuses on the results of OIG's reviews of the JTPA program as well as our concerns for much needed program improvements to increase accountability for the expenditure of program funds. The suggestions are based on work we have done and reported in semiannual reports to the Congress over the years. I am providing specific recommendations for amendments to improve accountability and also enable the program to accomplish its mission more efficiently. Specifically, I am asking the Congress to consider the following:

-- to clarify its intent regarding the classification of JTPA as a block grant;

-- to adjust the program targeting to ensure that the greatest number of the most disadvantaged are served by the program, thereby creating the most productive return on the JTPA investment;

-- to bring cost accountability to the program by eliminating the "single-unit-charge" allowance for performance-based contracts and by assuring that procurement standards are adopted to eliminate abusive practices;

-- to create parallels between Titles II and III of JTPA by establishing in Title II a fourth cost category for employment assistance services, and by having the

limitations on costs apply to SDA funds expended, rather than funds available; and

-- to eliminate confusion and improve accountability by providing definitions for the cost categories.

Mr. Chairman, nine years have now passed since the Congress enacted the Job Training Partnership Act. With its enactment, the Congress signaled a profound change in the way the nation's employment and training programs were to be designed and administered. For the first time, real emphasis was placed on the involvement of the private sector in both its role as majority partner in designing local programs and as actual provider of training and services for participants. For the first time, Governors were granted significant flexibility to determine policies and procedures for implementing the program in their states. And, for the first time, the Congress stipulated that the performance of Service Delivery Area (SDA) training programs was to be assessed against performance standards, which were to be based upon the private sector concept of the return on investment. In this case, our investment is in human capital. I wholeheartedly support these program design principles. However, as all too often happens, some of the design got lost in the implementation, and the implementation of this program is a key to understanding many of the problems we currently face.

The JTPA statute contains no language disclosing congressional intent that it is to be considered a block grant. Furthermore, this Committee's ranking members communicated their intent to firmly establish the Federal government as a full partner in JTPA in a letter to the ETA Assistant Secretary in February 1983. Notwithstanding this notification, however, Titles I, II, and III of the program were implemented as a block grant and continue to be treated as such.

Perhaps the most significant aspect of the departmental adoption of this block grant philosophy was the waiver granted to the JTPA program from the administrative requirements of the OMB Circulars. These Circulars govern cost, fiscal, and administrative principles for the majority of Federal grants and cooperative agreements with state and local governments and non-profit entities. They establish a uniform basis for the working relationship between these entities in the expenditure of Federal program funds and provide guidelines to address such issues as allowable costs, profits for governmental and non-profit organizations, use of program income, real property acquisition and disposition, procurement, financial reporting, and grant closure.

I should point out that the Department of Health and Human Services has directed that the JOBS program be covered by the OMB Circulars. This is very significant from the standpoint that both the JOBS program and JTPA are intended to establish linkages with each other. To have them operating under dissimilar administrative and fiscal guidelines will cause problems at the local level.

The JTPA regulations issued in 1983 by ETA contain some of the Circulars' normal requirements, but for the most part they defer to the Governors in the establishment of basic program guidelines, interpretations, and definitions. It is important that the Governors play a major role and have sufficient flexibility in determining program policy and procedures. However, in the JTPA program, we believe that the pendulum may have swung too far. The Federal entity in this partnership has not fulfilled its responsibilities to establish fundamental parameters for the program based upon statutory language. This has weakened the Federal-state partnership, leaving the system without adequate leadership. As a result, the program suffers from a serious lack of uniform control and guidance. OIG believes that adoption of the OMB Circulars, through a reversal of block grant status for the JTPA program, would provide uniform requirements throughout the JTPA system and address most of the procurement, profits, cost accountability, and financial reporting deficiencies reported by OIG since the inception of the program.

Mr. Chairman, I would like to highlight what we consider to be the most significant of our findings and our view of the extent to which the draft JTPA proposals under discussion will correct these problems. I will also provide our recommendations for additional measures to better assure program integrity, accountability, and success in accomplishing its mission.

The first and most critical issue is targeting. JTPA was passed in 1982 as a program designed to meet the skills training needs of the most disadvantaged, in order to allow them to become employed, productive members of society. The Act was replete with references to this objective and, in many ways, provided directions on how the program was to achieve this goal.

Section 106 of the Act did this in a way that was a significant departure from social program legislation up to that time. In Section 106, the Congress stipulated that it viewed the JTPA program, not as an expense, but as an investment in human capital. The Congress further stipulated that its objective was to see that there was a productive return on this investment. The Congress defined a productive return as being increases in participant employment and earnings and a decrease in the amounts paid to participants through welfare benefits. In order to achieve this end, the Congress directed the Secretary of Labor to establish performance standards to measure the system's accomplishments. There was to be, in essence, a new bottom line for employment and training programs.

Our audit of "Participant Training and Employment Services," released in January 1988, credited the established performance measures as greatly influencing program operations. Unfortunately, the influence of these performance measures was not in ways that result in a productive return on DOL expenditures. For example, our audit found the collection of placement data was influencing the system to strive for placements. In fact, we reported that JTPA was achieving a 70% placement rate.

However, our reviews have also shown evidence of "creaming" in the JTPA program -- that is, serving only the easiest to place participants. We found that approximately 60% of all JTPA participants had graduated from high school and that about 60% of the employers who received OJT training subsidies say they would have hired the participants without the subsidy.

We do not believe this is what the Congress had in mind when it called for a productive return on the JTPA investment. There is nothing more wasteful in the employment and training arena than operating a program that trains people who only marginally need training for placement with employers who would have hired and trained the people without the program.

Mr. Chairman, the draft JTPA bills now under consideration recognize this program weakness and propose tighter eligibility criteria to focus the program more precisely on those most economically disadvantaged and skill-deficient participants. We support this and encourage you to make the necessary changes to direct the program to those who need it the most. This is the surest way to achieve the most productive return on tax dollars.

We recommend, however, that performance standards also specifically include measures of actual increases in employment and earnings of participants, as well as measures of actual reductions in welfare benefits received by participants. As currently written, the Act does not specifically require that the standards include these measures, although it strongly suggests these measures are appropriate. The existing JTPA performance standards still do not capture these basic measures, and because of their importance to the return on investment calculation, we would recommend that consideration be given to a statutory requirement in this area.

I should point out that we also would recommend that the Act be amended to establish a national definition of placement. The current DOL definition of placement, which allows extremely short-term placements to be counted, results in wide variations in what is reported as a program success.

In our view, the second most critical issue after targeting is the adherence by SDAs to the statutory limitations on costs (outlined in Section 108 of the Act), as well as the system's use of single-unit-charging of fixed unit price, performance-based contracts, in order to circumvent this portion of the law.

When the Congress passed JTPA in 1982, there was great sentiment to make sure that the JTPA program, unlike CETA, was not going to be subject to the criticism that too much of the program's funds were being spent for administration, and not enough on actual training.

To avoid this criticism, JTPA requires the following: (1) not less than 70 cents of every dollar expended is to be spent on training, (2) not more that 15 cents of each dollar on administration, and (3) not more than 30 cents of each dollar on a combination of administration and participant support services.

Unfortunately, in implementing the law, ETA inserted into the regulations a provision which has tended to mask true administrative expenditures. This insertion allows all costs to be charged to the training cost category if the agreement with the provider is for training, is fixed unit priced, and calls for placement of the participant into the occupation trained for at a wage which is not less than that which is specified in the agreement.

While seemingly innocuous on the surface, this regulation allows all costs to be charged to training if fairly specific conditions are met. However, ETA failed to specifically define "training." In practice, the JTPA system has grown to consider all manner of activities as training, to the point where some of our audit work disclosed that the entire spectrum of some SDAs' activities were classified as training and were provided under a single fixed unit price contract.

Beyond this obvious definitional problem, no uniform requirements exist for specific cost and price analyses to arrive at a fair unit price. SDAs, in practice, have arrived at their prices, in many cases, simply using what the contractor demands. This lack of cost and pricing analysis becomes even more significant when you consider OIG's audit findings that approximately 40% of all JTPA funds are expended via non-competitive, sole source procurements.

Additionally, the terms "placement in the occupation trained for at a wage not less than that specified in the agreement" have been construed not to apply to all of the participants originally contemplated under the contract. Contract requirements for full performance have often been modified without basis, or were simply ignored. In effect, SDAs accepted less than full performance in such contracts, often refusing to consider them failed. Perhaps this was because of the SDAs' desire to have all costs under such contracts considered as training costs, without segregation and reporting of administrative activities included in their performance.

With all these incentives for writing fixed unit price, performance-based contracts, and with the SDA's having the ultimate benefit of not having to charge any administrative costs for these services, it is not surprising that as much as 70% to 80% of all SDA funds are reportedly being spent via this contracting method.

We believe that there can be validly written and properly performed fixed unit price contracts. If these contracts are let competitively, if good cost and pricing analyses are an integral part of establishing fair compensation for services, and if true risk is imposed upon the private sector contractor for the opportunity to earn profits, this type of contracting can serve to achieve a better, more effective JTPA deliverable.

Mr. Chairman, I have referred only to the private sector contractor as having an opportunity to earn profits. Governmental entities should not need a profit motive to provide services for otherwise eligible recipients. Accordingly, I am troubled with the idea that governmental and non-profit entities, who provide JTPA services under any contracting method, should be allowed to generate profits. Non-profit operators, on the other hand, could be allowed an administrative fee, as the OMB Circulars would provide. Profits, however, defined as an excess of revenue over costs,should be available only to the private sector and should be tightly controlled through sound procurement practices over fixed unit price, performance-based contracting.

Beyond the position that better procurement practices must be instituted, single-unit-charging of the vast majority of fixed unit price, performance-based contracts is also a problem. The single-unit-charging allowance has negatively affected program operations; caused widespread circumvention of congressional directives for minimizing administrative activities; and has been detrimental to JTPA participants, by diverting resources that otherwise would have been spent on their training.

Fortunately, most of the pending JTPA bills have provisions that move toward establishing necessary procurement controls. Also, these bills reassert the requirement that all costs are to be charged to the appropriate cost categories, with one very limited exception.

On this last point, Mr. Chairman, I would recommend that, if the Congress allows any exception to the charging of costs to the cost category which most benefits from the expenditures, that this exception be limited to tuition, which should be defined in the Act as "payments to accredited educational institutions at the rate available to the general public."

We have a further recommendation that will bring greater cost accountability to the program and bring JTPA Titles II and III into concert with each other. When JTPA Title III, the Economic Dislocation and Worker Adjustment Assistance (EDWAA) program legislation, was enacted in 1988, the Congress established a cost category for employment assistance services to segregate those funds spent for services from those spent on direct training. A common criticism of JTPA has been that the majority of its training expenditures has actually been spent on assistance services rather than skill-building training. Isolating these costs from training costs will provide valuable oversight information for this Committee and DOL on how funds are actually expended and will better assure that the program emphasis remains on training, which is the most effective means to achieve long-term employability and self-sufficiency.

EDWAA also stipulated that the cost limitations were to apply to funds expended rather than funds available, and unexpended funds were subject to annual reallotment. Currently, Title II cost limitations are applicable to funds available for a given program year. Because of the 3-year life of JTPA funds and ETA's allowance that unexpended Title II funds be carried over from year to year without reallotment and without tracking by year of appropriation, there is no way to determine an SDA's compliance with cost limitation requirements.

Applying the Title III requirements to Title II will provide the Congress and the Department with a much clearer picture of how JTPA funds are expended. Additionally, it will allow for unexpended funds to flow to those entities making greater use of JTPA funds. Finally, if the "funds expended" language is coupled with a requirement for ETA to track SDA expenditures by year of appropriation, it will allow for an assessment of compliance with the costs limitations that currently does not exist for Title II. Interrelated with this discussion of cost accountability is our recommendation that all the cost categories be at least generically defined in the Act, using Section 204, Use of Funds, as the basis for the definitions.

In summary, these recommendations are being made consistent with my responsibilities under the Inspector General Act. They represent our best judgement for solving the problems we have detected within JTPA. We have arrived at these recommendations through extensive internal deliberations as well as discussions with ETA.

Most of our recommendations are included in the draft discussion proposal under consideration. They call for better targeting of the most disadvantaged, eliminating the single-unit-charge allowance, and correcting procurement deficiencies. Such changes will address our most significant concerns. We also encourage you to clarify the JTPA partnership to establish a functioning Federal role, by having the uniform guidelines of the OMB Circulars apply to the program.

In closing, I believe that JTPA has great potential to create a better and more productive life for the disadvantaged citizens that it was designed to serve. It also has the clear potential for delivering the productive return on its investment in human capital that the authors intended. The legislative process will undoubtedly result in adjustments to the program to increase its ability to accomplish these goals. To the extent that my Office can continue to assist this Committee in that process, my staff and I stand ready to help in whatever way we can.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you or other Members of the Committee may have.

Chairman **Perkins**. Thank you, Mr. De La Rosa.

Mr. Frazier, we are pleased to have you with us today, and we would also be very pleased to listen to your statement.

Mr. **Frazier**. Thank you, Mr. Chairman, Mr. Gunderson. We welcome the opportunity to be here today.

I have with me Mr. Sigurd Nilsen, who is our Assistant Director for Labor Issues, and I will just take a few minutes to briefly summarize my statement, which I will submit for the record.

Mr. Chairman, our testimony today covers six points. First, the majority of the SDA's we visited underreported administrative expenditures, resulting not only in misrepresentation of program costs but also a circumvention of the 15 percent statutory limitation placed on administrative expenditures. Nine of the 12 SDA's we visited underreported their administrative expenditures.

As can be seen from our chart, if the SDA's had accurately reported their administrative costs, we estimate that seven of the nine SDA's would have exceeded the administrative cost limitation from a range of 18 percent up to 191 percent.

Second, we found SDA's were wasting OJT resources by, one, entering into OJT contracts that exceeded Labor's suggested length of training; two, training individuals who already had significant work experience in the occupations for which they were being trained; and, three, training individuals already working for the OJT employer.

Again, as shown by our chart, all 11 SDA's we visited that use OJT exceeded Labor's suggested training time for low-skilled jobs. About three-quarters of these contracts were excessive. Examples of excessive training include a 65-day OJT contract for a hotel maid, a 70-day OJT contract for a kitchen helper, and a 129-day OJT contract for a car wash attendant. All of these contracts should have taken less than 30 days, according to Labor's guidelines. This type of excessive training resulted in a waste of about $250,000 or over a third of the funds spent on OJT.

Similarly, we found about 25 percent of the individuals in our sample had at least one year of prior experience in the field for which they were being trained. For instance, one SDA developed a 12-month OJT contract with an employer to train a participant as an oil burner technician. The participant already had 5 years' experience in this job.

We also identified instances in which SDA's entered into an OJT contract with a company to train someone already employed by that company. This practice subsidizes the employer's salary and training expenses.

Labor's legislative proposal will limit the length of OJT to the amount of time generally required to learn the job but in no case to exceed 6 months. We believe that Labor's proposal is a step in the right direction for preventing excessive OJT. However, care should be taken to assure that the proposed 6 months ceiling does not become the norm. Further, when determining the appropriateness of OJT, consideration should be given to the participant's work experience and prior employment with the OJT employer.

Third, we found questionable contract administration practices at two-thirds of the SDA's we visited. Examples of these questionable practices include payments to training vendors that were not in accordance with their contract requirements, Federal partial payments guidelines being ignored, and payments for unsupported expenditures.

Mr. Chairman, we believe some of these problems that I have mentioned are the result of inadequate oversight and monitoring of the JTPA program. Program monitoring varied substantially among the States. For example, one State did not reveal the financial management and procurement system of its SDA's until 7 years after the program had been implemented. In contrast, another State spent 4 weeks a year at each SDA assessing various activities.

Labor has recently indicated a need to go beyond its current oversight and monitoring practice and has undertaken new initiatives aimed at improving program integrity. It has initiated a series of special reviews targeted to specific areas of program vulnerabilities, including procurement in OJT.

Labor also has under consideration recommendations to focus Federal review efforts on program quality, program effectiveness and outcomes, and is considering shifting its emphasis away from State administration and toward local program operation. We believe these initiatives are a step in the right direction.

My fourth point, Mr. Chairman, concerns proposals for targeting JTPA participants. Labor's legislative proposal would require that at least 65 percent of the adults served have one of the following employment barriers: one, being basic skills deficient; two, being a school dropout; three, being a welfare recipient; four, being unemployed for 6 months or longer.

Labor's proposal is aimed at enrolling more of the hard-to-serve population into the program. However, it appears that the proposal will result in little change. We estimate that about 71 percent of the JTPA participants already have one or more of the targeting characteristics specified in Labor's proposal. Therefore, the 65 percent requirement is already being met. A more effective approach to targeting the hard-to-serve adults may be to require that the programs serve a specific percentage of adults with multiple barriers to employment.

My fifth point, Mr. Chairman is that Labor's proposal to include adult competencies as performance indications is a concern. According to Labor's proposal, adult competencies include the acquisition of skills, including basic skills, required to promote continued employability in the local labor market.

We agree that the basic and other skills can contribute significantly to an individual's employability. However, we would caution that the attainment of an adult competency might best be considered as a means to an end and not the end in itself. According to the JTPA, the basic measure of JTPA performance is the increase in employment and earnings and a reduction in welfare dependency. In our view, the principal outcome measure for adult training programs is and should continue to be job placements. Permitting the attainment of competencies to be counted as an acceptable outcome measure in lieu of placements could discourage SDA's from giving participants the training needed to achieve employability and could lessen their incentive to aggressively seek job placement for these individuals.

My sixth and last point relates to reporting requirements. We believe that the subcommittee's deliberation on amending the JTPA provides an excellent opportunity to address an issue that we view as a long-standing weakness of JTPA—that is, the lack of comprehensive data on participants' characteristics, enrollment activities, program outcomes, and specific program costs. The program's data collection system lacks a detailed description of the demographic characteristics and employment barriers of those being served.

Labor's proposal would expand data collection requirements but does not ensure that uniform or adequate data would be collected because, in our view, it is vague and open to interpretation. We believe that data on program participants should be collected in such a way to permit the analysis of participants' characteristics relative to the services received and employment outcomes. Such data would allow program evaluators and managers to match the characteristics of individual participants with, one, the kind of services received including the number of hours and the skill training and the skill level of the training they received, and, two the skill level and occupation in which they were employed after leaving the program. In our opinion, such data would provide information vital for program management, congressional oversight, and performance evaluation.

As the subcommittee and the Chairman debate proposals to amend the JTPA, we recommend that Congress require that Labor provide technical assistance to States for the development and implementation of monitoring procedures that would detect waste, fraud, and abuse within the program and also that Labor provide definitive policy guidance to States and SDA's to clarify the regulations.

Mr. Chairman, that concludes my statement, and we will be glad to respond to your questions.

[The prepared statement of Franklin Frazier follows:]

United States General Accounting Office

GAO

Testimony

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AMENDING THE JOB TRAINING PARTNERSHIP ACT

Inadequate Oversight Among Issues That Need to Be Addressed

Statement of
Franklin Frazier, Director of
Education and Employment Issues
Human Resources Division

Before the
Subcommittee on Employment Opportunities
Committee on Education and Labor
House of Representatives

GAO/T-HRD-91-28

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SUMMARY OF TESTIMONY BY FRANKLIN FRAZIER ON AMENDING THE JOB TRAINING PARTNERSHIP ACT

Our testimony highlights several issues related to the oversight and implementation of the Job Training Partnership Act and the extent they are addressed by a Department of Labor proposal to amend JTPA. Our current work indicates that Labor and the states have failed to address improper management practices that are consistently occurring within the program, leaving JTPA vulnerable to waste, abuse, and mismanagement. These practices relate to:

Administrative Costs -- Administrative costs were not being accurately reported at three-fourths of the service delivery areas we visited. Had these costs been reported accurately, most of the service delivery areas would have exceeded the statutory limit placed on administrative spending by an average of 68 percent.

On-the-Job Training -- All of the service delivery areas visited that used on-the-job training entered into training contracts for excessive periods. About 36 percent of the $690,000 in JTPA funds spent on low-skill contracts was for excess training for jobs such as dishwasher, hotel maid, and car wash attendant.

Payments to Training Vendors -- Inadequate contract administration at two-thirds of the service delivery areas we visited resulted in payments to vendors that should not have been made.

We recommend that the Congress require Labor to provide the states and service delivery areas with definitive policy guidance and technical assistance on monitoring and a number of other matters.

Certain issues raised by our previous work remain current but are not fully addressed by Labor's proposal, notably:

Targeting Services and Assessing Needs -- Labor's proposal to target the hard-to-serve may do little to change the mix of those served because the program may already be meeting this requirement. But its requirement that all program enrollees be assessed and a training strategy be developed appears to be a sound proposal that will likely enhance delivery of services.

Adult Competencies -- Labor's proposal would make adult competencies, such as obtaining basic and other skills, a performance measure. Our view is that the principal measure of adult training programs has been and should continue to be, quality job placements. Our concern is that the proposal could lessen the incentive for training providers to seek jobs for adult participants.

Definitions and Reporting Requirements -- Labor's proposal establishes uniform definitions and expands reporting requirements. We agree that definitions should be standardized and reporting requirements expanded. However, in our opinion, Labor's proposal falls short of enabling analysis of participant characteristics relative to services received and outcomes.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to assist in your deliberations on amending the Job Training Partnership Act (JTPA). My testimony will focus on two areas--first, program oversight issues developed during our ongoing work, and second, program implementation issues developed during previous efforts, including the extent tc which Labor's legislative proposal to overhaul JTPA addresses such issues.

In summary, our ongoing work indicates a lack of sufficient program oversight that has left JTPA vulnerable to waste, abuse, and mismanagement. Questionable practices at the local level have generally gone undetected. For example:

-- Administrative expenditures not being accurately reported. Had such costs been properly reported, many of the service delivery areas (SDAs) we visited would have exceeded the statutory limitation on administrative costs.

-- On-the-job training (OJT) for excessive periods. Approximately 36 percent of the JTPA funds spent on OJT for such jobs as dishwasher, hotel maid, and fast food worker was for excess training.

-- Inappropriate payments to training providers. Payments made to providers were not always in accordance with contract conditions, Labor guidelines, or sound management practice.

Certain issues raised by our previous work remain current and are addressed to varying degrees by Labor's proposal. For example:

-- Targeting the hard-to-serve. JTPA does not target services to any specific group and the targeting provisions in Labor's proposal may do little to change the mix of those served.

-- Assessing participant needs. Labor's proposed requirement that all program enrollees be assessed and a training strategy be developed appears sound and should enhance delivery of services.

-- Other proposed changes to JTPA. We suggest modifying Labor's provisions relating to adult competencies, standard definitions, and data collection.

PROGRAM OVERSIGHT ISSUES

During our review of JTPA oversight responsibilities and activities, we found that SDAs often followed practices that led to program mismanagement and the waste and abuse of JTPA funds. Such practices included the misclassification of administrative costs, excessive periods of training under OJT contracts, and other questionable contracting practices. These practices were generally going undetected at the federal and state levels, leading us to conclude that the program is vulnerable to waste, abuse, and mismanagement.[1]

SDAs Are Circumventing Administrative Cost Limitation

The majority of the SDAs we visited underreported administrative expenditures, resulting not only in a misrepresentation of program costs, but also a circumvention of the 15 percent statutory limitation placed on administrative expenditures. Administrative salaries are often reported as training costs, and other administrative expenditures as participant support costs.[2] For example, one SDA charged about $450,000 in administrative salaries to training in program year 1989. Another charged about $280,000 to participant support in program years 1988 and 1989, including such costs as the salaries of the private industry council staff, rent and office supplies, and staff travel to seminars.

On average, the nine SDAs underreported their administrative expenditures by 38 percent. As illustrated in figure 1, the amount of underreported administrative expenditures ranged from about $62,000 at one SDA (10 percent of actual administrative costs) to about $456,000 (66 percent) at another.

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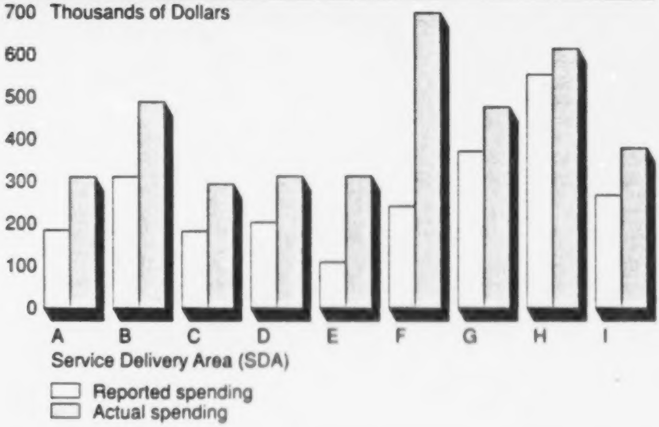
[1] Further details of our review can be found in exhibit I.

[2] Includes such services as transportation and child care that enable participants to attend training.

Figure 1

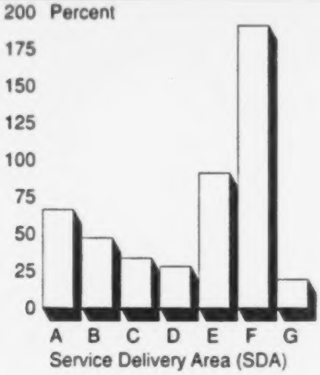
GAO Reported and Actual Administrative Costs



If the SDAs had accurately reported their administrative costs, we estimate that seven of the nine SDAs underreporting such costs would have exceeded the administrative cost limitation specified in the act by an average of 68 percent. As shown in figure 2, the statutory limit would have been exceeded by about 18 percent in one instance and as much as 191 percent in another.

Figure 2

GAO SDAs Exceeding Allowable Administrative Costs



The extent to which SDAs exceed the limit on administrative costs directly affects the amount of funds available for training and participant support services. Further, proper reporting of administrative expenditures is important to maintain program integrity.

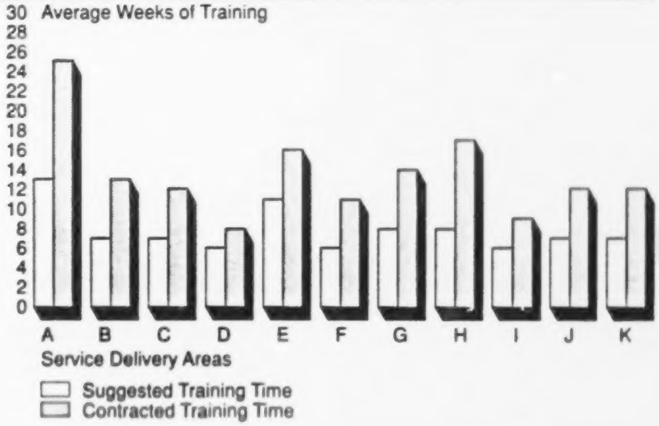
SDAs Are Wasting Funds on Questionable On-the-Job Training

The 11 SDAs providing training under OJT contracts were wasting scarce JTPA resources by (1) entering into lower skill OJT contracts that exceeded Labor's suggested length of training, (2) training individuals with significant work experience in the occupations for which they were being trained, and (3) training individuals already working for the OJT employer. Such practices, in effect, subsidize portions of an employer's salary and training expenses.

Excessive training for lower skill jobs is a problem. About 73 percent of the 558 lower skill OJT contracts we reviewed provided for excessive periods of training. For occupations with training times up to 30 days, we noted examples of excess training, such as a 65-day OJT for a hotel maid, a 70-day OJT for a kitchen helper, and a 129-day OJT for a car wash attendant. The cost to JTPA for these lower skill OJT contracts was approximately $690,000, of which about 36 percent ($250,000) was for excess training. On average, the OJT contracts exceeded Labor's guidelines by 6 weeks. As shown in figure 3, the amount of excess training ranged from 2 weeks at one SDA to 12 weeks at another.

Figure 3

GAO SDAs Exceeding Suggested Training Times For Lower Skill OJT



This is not a new problem. In September 1988, we testified before the House Education and Labor Committee[3] that many OJT contracts for lower skill jobs, such as dishwasher, housekeeper, and laundry worker, allowed too much time for training compared with Labor's suggested training time for these occupations. Labor later said that it was considering legislative and/or regulatory options to address this issue and stated that it expects "that the types of lower skill OJT contracts identified in the GAO report as prone to excessive duration will gradually cease to exist."

We also found instances at nine of the SDAs we visited where OJT contracts were used to train individuals who already had significant work experience in the jobs for which they were being trained. About a quarter of 386 sampled individuals for whom work histories were available had at least 1 year of prior experience in the field for which they were being trained. For example, one SDA developed a 12-month OJT contract with an employer to train a participant as an oil burner technician; however, the participant already had 5 years' experience in this job. Another SDA developed a 4-month OJT contract to provide training as a delivery driver to a participant with 5 years' experience as a delivery driver.

We also identified instances in which SDAs entered into an OJT contract with a company to train someone already employed by that company. This practice, in effect, subsidizes portions of an employer's salary and training expenses. Labor's Office of the Inspector General recently questioned about $600,000 of costs relating to this practice.

Labor's legislative proposal would limit the length of OJT to the amount of time generally required to learn the job, but in no case to exceed 6 months. In determining this length of time for OJT, consideration would be given to "... recognized reference materials (such as the Dictionary of Occupational Titles), the content of the participant's training . . ." as well as a strategy for providing needed participant services.

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[3] Job Training Partnership Act: Participants, Services, and Outcomes (GAO/T-HRD-88-31, Sept. 29, 1988).

We believe that Labor's proposal is a step in the right direction for preventing much of the excessive training we identified during our review. However, care should be taken to assure that the proposed 6-month ceiling does not become the norm. Further, when determining the appropriateness of OJT, consideration should also be given to the participant's work experience and prior employment with the OJT employer.

Contract Administration Could Be Improved

Contract administration and monitoring practices were questionable at two-thirds of the SDAs we visited. We noted the following examples at these SDAs.

-- Payments were made to training vendors, not in accordance with contract requirements. For example, as much as two-thirds of the payments made to vendors by one SDA did not comply with contract terms.

-- Federal guidelines on providing partial payments to vendors were ignored. For example, one SDA paid a vender about 80 percent of a $240,000 training contract for merely enrolling clients--a practice not permitted by Labor's guidelines.

-- Contracts were modified to allow payment to vendors despite their failure to meet performance requirements. For example, one SDA extended placement periods in one contract and reduced wage requirements in another contract to allow vendors to receive payments to which they otherwise would not have been entitled.

-- Vendors were reimbursed for unsupported expenditures. For example, one SDA paid a vendor about $530,000 without verifying the accuracy of submitted expenditure reports. The SDA later learned that the vendor had no financial records to support these expenditures.

While not all of these problems occurred at each SDA we visited, they occurred often enough to indicate pervasive weaknesses in local contracting practices that result in the waste of scarce JTPA funds.

Inadequate Oversight and Monitoring Makes JTPA Vulnerable to Waste, Abuse, and Mismanagement

JTPA program oversight and monitoring by federal, state, and local agencies appear inadequate. The incidents of waste, abuse, and mismanagement that we identified during our review were going undetected.

JTPA program monitoring varied substantially among the states, which have the primary responsibility for overseeing JTPA implementation. For example, one state we visited had not performed any monitoring of its SDAs' financial management or procurement systems until program year 1990--7 years after JTPA's implementation. On the other hand, another state spends about 4 weeks per year at each of its 26 SDAs assessing various SDA activities, including cash management, cost classification, OJT, and contractor monitoring. But, regardless of the extent of states' monitoring, they often failed to identify the improper reporting of costs, questionable uses of OJT, and inadequate procurement practices occurring at the SDAs we reviewed.

Although JTPA requires that each program be independently audited at least every 2 years, such audits do not ensure that JTPA programs were operating in accordance with applicable laws and regulations. We found questionable practices being followed at each of the 12 SDAs we visited, but only 3 of the resulting audit reports noted deficiencies relating to JTPA waste, abuse, or mismanagement.

Additionally, property management could be susceptible to abusive practices. SDAs in five of the six states we reviewed did not have adequate control over property inventory, yet no mention was made of these weaknesses in the state monitoring reports.

Labor's oversight has been limited to providing broad policy guidance with little technical assistance and scrutiny of program implementation. Labor, however, has recently indicated a need to go beyond its current oversight and monitoring practices and has undertaken new initiatives aimed at improving program integrity. It has initiated a series of special reviews targeted to specific areas of program vulnerability, including procurement and OJT. Labor also has under consideration recommendations to focus federal review efforts on program quality, effectiveness, and outcomes and is considering shifting emphasis away from state administration and toward local program operations. While these initiatives appear to be a step in the right direction, it is too soon to determine whether they will reduce the program's vulnerability to waste, abuse, and mismanagement.

PROGRAM IMPLEMENTATION ISSUES

The results of our previous efforts relate to some of the provisions suggested by Labor, including

- proper targeting of participants and services,
- meaningful performance measures,
- consistent definitions, and
- comprehensive and consistent data.

Exhibit II lists relevant GAO testimonies and reports.

Targeting Those Eligible for JTPA

We previously reported that the JTPA program does not target resources to any particular sub-group of eligibles, including those presumably most in need of training services[4]. These include those with limited or no work experience, school dropouts, welfare recipients, minorities, and female single parents with dependents. We reported that certain hard-to-serve subgroups, such as dropouts, were less likely to be served and received less intensive training than subgroups better prepared to enter the labor market without training.

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[4] Job Training Partnership Act: Services and Outcomes for Participants With Differing Needs (GAO/HRD-89-52, June 9, 1989).

As currently written, JTPA is vague with respect to program targeting and refers simply to "those who could benefit from, and are most in need of" services. Labor's legislative proposal would provide specific guidance, requiring that at least 65 percent of the adults served be (1) basic skills deficient, (2) school dropouts, (3) welfare recipients, or (4) unemployed for the previous 6 months or longer.

Data we previously collected on JTPA enabled us to selectively compare Labor's proposal against what is actually occurring within the program. While our data base does not include information on the proportion of JTPA participants with basic skill deficiencies, it does contain information on the other three Labor categories. About 27 percent of adult JTPA participants were school dropouts, 24 percent were Aid to Families with Dependent Children recipients, and 57 percent were unemployed for 6 months before enrollment in the program.

Although Labor's proposal is aimed at enrolling more of the hard-to-serve population into the program, it appears that the proposal will result in little change. Overall, we estimate that about 71 percent of JTPA participants may have one or more of the targeting characteristics specified in Labor's proposal, thereby satisfying the targeting requirement of 65 percent. Thus, it appears that the program may already be meeting Labor's proposed targeting requirements for adults, and that the proposal, as currently drafted, would likely result in little change in those served by JTPA.

Labor's proposal would require that participants have only one of the four specified conditions. However, if the intent of the proposed targeting provisions is to place greater emphasis on training hard-to-serve adults, a more effective approach might be to concentrate on those facing more than one employment barrier. As shown in table 1, for example, adults with two or more of the targeting characteristics specified in Labor's proposal make up about 31 percent of the adult participants being served.

Table 1: Emphasis on Multiple Employment Barriers Could Improve Adult Targeting

Dropout receiving AFDC	8%
Dropout with limited work history	17%
AFDC recipient with limited work history	19%
Total with two or more barriers	31%

Thus, the Congress might consider requiring that the program serve a specific percentage of those with multiple barriers. If that percentage were substantially above 31 percent for adults, one could expect the program to better target the hard-to-serve in future years.

With respect to youth, Labor's proposal requires that at least 50 percent of those served be out of school. Our data show that 64 percent of youth participants are out of school and, thus, would exceed Labor's requirement. Labor also proposes that 65 percent of out-of-school youth be (1) basic skills deficient, (2) a school dropout, or (3) pregnant or parenting. This requirement could result in greater focus to those out of school who are dropouts or single parents because we found that only about half of the youth participants have one of these two characteristics.[5]

Assessing Needs and Services

While targeting specific portions of the eligible population for enrollment in JTPA would ensure that particular groups are served, there is no guarantee that such individuals would receive appropriate services once enrolled. For example, we noted in the past that participants presumably in greater need of training on average received less intensive training and were more likely to receive only job search assistance. Dropouts, in particular, rarely received remedial education, which they could be expected to need.

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[5] Job Training Partnership Act: Youth Participant Characteristics, Services, and Outcomes (GAO/HRD-90-46BR, Jan. 24, 1990).

Labor's proposal contains a requirement that the assistance needs of participants be assessed when they enter the program. An individual service strategy would then be designed, based on that assessment, and participant progress against that plan would be periodically reviewed. As we understand the proposal, if the assessment indicates that a participant needs both basic education and occupational skill training, those services would have to be made available. The administration's proposal also eliminates the practice of providing only job search assistance, unless the assessment indicates that only this service is needed and such assistance is unavailable from another agency, such as the Employment Service.

In our opinion, this is a sound proposal that could correct various shortcomings in the JTPA program. The required assessment should aid in identifying participant educational and skill deficiencies, whereas the service strategy would identify participant employment goals and appropriate services for meeting those goals. Such an approach should contribute significantly to insuring that JTPA participants receive appropriate and career-enhancing services.

Adult Competencies

One provision in Labor's proposal that is of particular concern to us is the inclusion of adult competencies as a performance indicator. According to Labor's proposal, adult competencies include "the acquisition of skills, including basic skills, required to promote continued employability in the local labor market."

Basic and other skills can contribute significantly to an individual's employability. However, we would caution that the attainment of an adult competency might best be considered as a means to an end--the end being a quality job placement--and not an end itself. According to the act, the basic measure of JTPA performance is "the increase in employment and earnings and reductions in welfare dependency . . ." In our view, the principal outcome measure for adult training programs is and should continue to be job placements. Permitting the attainment of competencies to be counted as an acceptable outcome measure, in lieu of placements, could discourage SDAs from giving participants the training needed to achieve employability or could lessen their incentive to aggressively seek job placements for such individuals. This was found to be a problem with regard to the use of competencies in JTPA youth programs. To its credit, Labor's proposal addresses these problems with respect to youth by requiring that certain youth competencies be combined with other services designed to improve participant basic or occupational skills.

Uniform Definitions

A persistent shortcoming of the JTPA program has been the lack of sufficient and consistent data. On a number of occasions we noted that a lack of specific definitions in JTPA has led to a problem with consistency in Labor's data collection efforts. For example, there are indications that some local programs may not record individuals receiving only job search assistance as program participants until after they have been placed in a job, thus increasing the percentage of participants placed.

According to Labor officials, a forthcoming modification to their legislative proposal will address the problem of specificity and consistency by providing uniform definitions of the terms "participant" and "termination." We have provided specific suggestions for these terms in previous testimony before the House Education and Labor Committee.[6]

Expanded Reporting Requirements

We believe that the Subcommittee's deliberations on amending JTPA provide an excellent opportunity to address an issue that we view as a long-standing weakness of JTPA--the lack of comprehensive data on participant characteristics, enrollment activities, program outcomes, and specific program costs. The program's data collection system lacks a detailed description of the demographic characteristics and employment barriers of those being served and hence the likelihood of participants succeeding in the labor market.

Labor's proposal would expand data collection requirements, but does not ensure that uniform or adequate data would be collected because, in our view, it is vague and open to interpretation. We believe that data on program participants should be collected in such a way as to permit the analysis of participant characteristics relative to services received and employment outcomes. Such data would allow program evaluators and managers to match the characteristics of individual participants with (1) the kind of services received, including the number of hours and skill level of training, and (2) the skill level of occupations in which they are employed, if any, after leaving the program. In our opinion, such data would provide information vital for program management, congressional oversight, and performance evaluation.

CONCLUSIONS AND RECOMMENDATIONS

JTPA, the nation's premier job training effort for the economically disadvantaged, has been relatively successful measured by established performance standards. However, there is significant room for improvement. In our view, Labor's legislative proposal is a step in the right direction, particularly as it applies to assessing participant training needs and designing appropriate training strategies, minimizing the sole use of job search assistance, and providing more definitive guidance on the length of OJT.

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[6] Job Training Partnership Act: Comments on H.R. 2039, The JTPA Amendments of 1989 (GAO/T-HRD-89-32, June 29, 1989).

As currently drafted, some changes suggested by Labor are already being met by the program, while other issues are not addressed. Labor's proposed requirements to target the hard-to-serve are now being met, and thus would result in little change in who is served. Further, in our opinion, Labor's proposal to add adult competencies as a performance standard will undermine one of the basic purposes of the program--an increase in participants' employment and earnings. We also feel that standard definitions of some terms and an expansion of program data collection are needed.

An issue largely ignored by Labor's proposal is program oversight. Improper management practices are, for the most part, going undetected, leaving JTPA vulnerable to waste, abuse, and mismanagement.

As the Subcommittee and the Congress debate proposals to amend JTPA, we recommend they consider the issues we have outlined. Moreover, to reduce JTPA's potential for waste, abuse, and mismanagement and to limit the questionable practices now occurring at the local level, we recommend that Congress require that Labor

-- provide technical assistance to states for the development and implementation of monitoring procedures that would detect waste, fraud, and abuse within the program and

-- provide definitive policy guidance to the states and SDAs to clarify regulations for

    o accounting for and reporting administrative costs to accurately reflect program expenditures;

    o developing OJT contracts that appropriately reflect the job requirements as well as the individual's work experience;

- maintaining adequate control over property purchased with JTPA funds to ensure that it is used for its intended purposes; and
- monitoring service providers to ensure that incidents of waste and abuse are detected and corrective action taken.

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Mr. Chairman, that concludes my prepared statement. I will be happy to answer any questions you or other members of the Subcommittee may have.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Chairmen of the Senate Committee on Labor and Human Resources and its Subcommittee on Employment and Productivity, as well as the House Committee on Education and Labor and its Subcommittee on Employment Opportunities, have asked GAO to assess (1) JTPA's vulnerability to waste, abuse, and mismanagement and (2) the adequacy of federal, state, and local program oversight and monitoring to prevent and detect such practices.

We concentrated our efforts at the three levels responsible for overseeing and administering JTPA--the federal, state, and local program levels. At the federal and state levels, we focused on the agencies' roles and responsibilities, and the procedures they followed to ensure that the program was being carried out in accordance with the law and implementing regulations. At the local level, we concentrated on SDAs' procurement and financial management practices and procedures.

We carried out our work in two Labor regions--Region I (Boston) and Region V (Chicago)--and in three states in each region. In Region I, we included Connecticut, Massachusetts, and Rhode Island. In Region V, we visited Illinois, Michigan, and Ohio. We included 12 SDAs in our review--2 in each state we visited. This review was aimed at assessing overall program vulnerability as well as the adequacy of monitoring systems. Therefore, we selected SDAs from among those in the states visited that appeared to be more or less representative of SDAs programwide. To eliminate potential bias in our results, we excluded those SDAs where previous reviews may have revealed managerial and operational weaknesses (e.g., those previously examined by Labor's Inspector General and those recently visited by Labor). Our work was carried out from January to November 1990.

RELATED GAO PRODUCTS

Job Training Partnership Act: Youth Participant Characteristics, Services, and Outcomes (GAO/HRD-90-46BR, Jan. 24, 1990).

Job Training Partnership Act: Information on Training, Placements, and Wages of Male and Female Participants (GAO/HRD-89-152BR, Sept. 12, 1989).

Job Training Partnership Act: Comments on H.R. 2039, The JTPA Amendments of 1989 (GAO/T-HRD-89-32, June 29, 1989).

Job Training Partnership Act: Services and Outcomes for Participants With Differing Needs (GAO/HRD-89-52, June 9, 1989).

Senate Bill 543: The Job Training Partnership Act Youth Employment Amendments of 1989 (GAO/T-HRD-89-18, May 11, 1989).

Job Training Partnership Act: Participants, Services, and Outcomes (GAO/T-HRD-88-31, Sept. 29, 1988).

Youth Job Training: Problems Measuring Attainment of Employment Competencies, (GAO/HRD-87-33, Feb. 11, 1987).

Job Training Partnership Act: Data Collection Efforts and Needs (HRD-86-69, Mar. 31, 1986).

Chairman **Perkins**. Thank you very much, Mr. Frazier.

At this time, I would like to turn to our distinguished ranking member, who I am sure has a number of questions for both of the panelists of inspirational quality, and I am sure that we are all looking forward to hearing what Mr. Gunderson is going to ask of you today.

Mr. Gunderson.

Mr. **Gunderson**. With that, I yield back the balance of my time.

Thank you, Mr. Chairman.

Gentlemen, as I listen to you, I am not sure that we don't have an irreconcilable philosophical difference. It seems to me you are trying to judge a unique Federal program by typical Federal standards, typical Federal regulations, typical Federal reporting requirements, et cetera. This program is very different. I don't know how we reconcile the flexibility that I think is the hallmark of this program with the preciseness of your rules, regulations, and reporting requirements that you advocate.

Any comments?

Mr. **De La Rosa**. I would like to comment, and I believe my associate would like to also.

If I might begin by saying, first of all, that I have been the Inspector General for approximately 8 months now, and many of the concerns that you have articulated were asked in the course of my own familiarization with OIG responsibilities in programs that we have oversight of, such as JTPA. Very early upon assuming my responsibilities, I took a stand that I would not decide what the issues were, but that I would let the issues determine themselves: in the sense, I would let the issues drive what we do.

I think it is clear from the information we have provided in our testimony today, from the comments that we will make in response to your questions, as well as from the numerous semiannual reports that we have furnished, that it is our perception that there are problems in the JTPA program. We are not contending that the program should be abolished nor that there should be any major changes in what is going on; but we are tasked with the responsibility of accounting to the Congress, to the Secretary, and to the public through these various media, of what our views are as to how efficiently and effectively the program is operating and how well it is performing its stated responsibilities. There are several areas that we have commented on today that we believe, very strongly, need improvement.

We have been in constant discussion with ETA, with Mr. Jones, and with the Secretary as to our views, and, in fact, much of the results of our inquiries—our investigation on the criminal side, and our audits—come from working with ETA itself. We have a limited size staff that can spend only a portion of its time in the JTPA program alone. ETA has a staff that spends all of its time in the JTPA program, and much of our work and our analysis is based on their findings as well as our own findings and our work with them.

I don't believe we are judging the worthiness of the program. Rather, we are telling you our view of the effectiveness of the program. We are explaining to you how we have come to our view of the effectiveness and the efficiency of the JTPA program, and I believe our semiannual reports accurately describe what abuses we have detected, whether they are criminal or administrative, and where the weaknesses are. We are more than willing to work with your staff, this committee, with ETA, and the Secretary to try and improve the program.

It is a roundabout way of building a watch, I guess, but I would like to emphasize that we are not saying that the program needs to be abolished or should be merged into some other program. We think—and I have stated in my testimony—that it is a good program, it has potential, it does have some very significant successes, but we also see many areas that we are very concerned about. We see some substantial weaknesses, and we see some substantial abuses that should be corrected if it is going to be the program that I hear you saying you want it to be and believe it is.

Mr. GUNDERSON. I want to get to you, Mr. Frazier, but let me continue with Mr. De La Rosa for a moment. Isn't there an inherent philosophical difference between you and those of us in the Congress and those in the administration simply by virtue of our different attitudes toward the OMB circulars? You believe that they ought to be used as the guidelines and the process for evaluating the program, and we, frankly, say applying the circulars to a Federal-State-local program driven to the local level like this doesn't work. So there is a difference in philosophy, and I have no problem with a difference in philosophy if we admit from the start that is exactly what we have got.

Mr. DE LA ROSA. No, I won't admit that from the start, for this reason. Let me see if I can work through it, and then I would like for Mr. Peterson to comment.

First of all, what we are dealing with here is that we have to evaluate a program by some criteria. The question of criteria is one of the things that those who are involved in the program—the SDAs, the PIC representatives, and ETA—debate about. They say to the OIG, well, you are evaluating this program based on—whatever it is, the GAAP, or other procedures that auditors tend to use—when these criteria are not required, because it has been declared that JTPA is to be treated as a block grant. Yet we, the OIG, have a responsibility to you, the Congress, to audit the JTPA program. We come to you and ask, is this what you intended, that JTPA should be treated as a block grant? And it is our understanding that there was an initial communication saying no, that is not what was intended, yet it was so declared by the administration.

So we have a conflicting view already built in. We have an interpretation that it was not congressional intent that JTPA be a block grant, but we have a ruling by OMB some years ago that portions of it, at least, should be a block grant. Yet we have to go out and audit JTPA and present the results of our findings to you, and we have to be able to measure it by some standard.

The most common complaint that I have heard from the States and the SDAs during my short tenure is that they don't have any guidelines to work with because of the absence of a clear definition. In our case, we propose the OMB circulars. Perhaps the legislation would provide adequate guidelines. Since we audit back years, auditees prepare for our audit based on other audits that we have done and not on some established criteria.

Mr. GUNDERSON. If you were them, wouldn't you do the same?

The complaint I get is not that there is a lack of Federal direction and standards, the complaint is that, frankly, your audits are using standards that have not been developed and approved by the Federal Government, and so they don't know what level of standards you are going to use. Is there a common guideline and set of procedures that are used for audits of SDA's?

Mr. **De La Rosa**. I will let my expert respond.

Mr. **Gunderson**. Sure.

Mr. **Peterson**. Yes, there is.

Mr. **Gunderson**. Is that published so people know the test and the standard by which they are going to be judged?

Mr. **Peterson**. Most of our audits are very different, so we publish different guidance each time we do an audit. That is to say, we don't have a stamped-out audit guide that says, "This is the audit of JTPA." Most of them are unique to the location that we happen to be in at that point in time.

We do prepare individual audit guides, and there is an audit guide prepared for each engagement, but I can't say that there is a stamped-out audit guide.

Mr. **Gunderson**. Do they get that ahead of time?

Mr. **Peterson**. They do not get that ahead of time, although I certainly would have no objections to them having it ahead of time. It is not something that we normally give out ahead of time, no.

Mr. **Gunderson**. Put yourself in their position. If you have established that the goal is common: similar delivery of program, common set of standards nationwide, which I don't think is the intent of the Federal legislation at all, but let's assume that that is the basis by which you are going to go out and judge these——

Mr. **Peterson**. That is a bad assumption.

Mr. **Gunderson**. Well, then, shouldn't they at least know what that is going to be? I mean shouldn't you at least publish in the *Federal Register* the normal standards that would be used to audit and judge an SDA?

Mr. **Peterson**. That is absolutely a bad assumption. As I said before, we don't have a stamped-out criterion by which to measure this program. We refer back to the law, and most all of the problems that have been identified in the program refer back to the law itself—that is to say, either a cost limitation kind of problem or a targeting type problem. So the criterion that we are using is a criterion that is afforded by the law.

If I could just comment, though, on the circulars for a second. The circulars were issued a couple of years back as embodying the Federal-State relationship in terms of New Federalism. So I am not at all sure—I assume there that the flexibility that you speak of is built into those circulars. At least that is how it was presented.

We don't think that suggesting that the circulars be applied to this program reduces the flexibility beyond the New Federalism standard. In fact, we don't think it limits flexibility in any way, shape, or form. It really only talks to how you account for your flexibility, your accounting to the taxpayer for the flexibility that the taxpayer has given you. So from an Inspector General perspective, we don't think that the circulars, designed within the context of New Federalism, would reduce this flexibility in any shape or form.

Mr. **Gunderson**. New Federalism, sir, is a Federal-State partnership.

Mr. **Peterson**. I understand.

Mr. **Gunderson**. What we are talking about here is primarily a local delivery system, of which the Federal and State Governments happen to be partners. You can't have a standard between the Federal Government and States that you use to judge what is happening over here at the local.

Mr. **Peterson**. I agree with you. If you don't want a partnership, that is absolutely true, but this——

Mr. **Gunderson**. We aren't suggesting we don't want a partnership, sir. Nobody is suggesting that at all. What I am suggesting is that I think we ought to admit we have a philosophical difference. There are over 600 SDA's in this country. You are not willing to say that there ought to be a uniform standard by which you go out and audit them, and yet you are going to hold them all accountable. Accountable to what? Put yourself in their position.

Mr. **Peterson**. What we are suggesting is that the circulars were designed for that very purpose. The circulars are designed to account for your flexibility.

Mr. **Gunderson**. The circulars are Federal-State; you just admitted that.

Let me go to Mr. Frazier, because I think this gets at the problem on the other side.

Mr. Frazier, you said the primary judgment of the success of an SDA or a JTPA program should be job placement, did you not, in your testimony?

Mr. **Frazier**. That is correct. We believe that the job placement for the adult portion particularly should be kept as the——

Mr. **Gunderson**. If the primary judgement by us here in Washington is going to be job placement, then why shouldn't they "cream?" If I were running that program at the local level and you told me your number one judgment factor was going to be how many people I placed in work as to whether I was a success or failure, I would have one goal: Get participants a job, and choose people you can get a job as fast as possible, that is what I would do.

Now we can't sit here and say, on the one hand, "We are mad at you because you are 'creaming,' " and, on the other hand, "We are mad at you because"——

Mr. **Frazier**. Yes. Congressman Gunderson, I would like to make it clear that we believe that this is a great program, and we think it is a very successful program. It is really the country's premier, and might be the only, "second chance" program, but it is only reaching 5 percent of the population that it should reach.

Now if we start "creaming"—that is, allowing people to get into the program that would have been employed anyway or have a very good chance of getting a job without JTPA's help—then we have eroded the already low 5 percent, and that is the reason we think we ought to try to do it.

Mr. **Gunderson**. I don't support "creaming," don't get me wrong, I am just saying that we are sending very different signals, and I think we have to understand what the mission of JTPA is. When you talk about second chance, we might be also in the second phase of JTPA. The first phase may have dealt with that constituency out there that was most easily placed, but I don't think there is any doubt that we are dealing with a much more difficult-to-serve population today, whether it be in the inner city or in the rural areas, and this begins to get at some of the other difficulties when you talk about administrative costs.

I am not sure when I look at your graph where all seven SDA's, I think it was, exceeded their administrative cost caps. The message that tells me is, unfortunately, exactly what every one of my SDA's has been telling me, and that is that the administrative costs are too low, because this is clearly a capital intensive, people led program.

Mr. **Frazier**. It may very well be, Congressman Gunderson, that the administrative cost is too low, but what we are saying is that if that is the case, then perhaps the Department of Labor or others need to look at it and then set some—or the Congress may want to set an administrative goal that is higher, but right now, as the program is out there, we are forcing people to do strange things, I would say, to get around the administrative cap, and when we do that, we ought to do something to either raise the limit or determine that the limit is right where it is now and then force people to do it. We didn't take a position that says that you ought to keep it at that particular point, we just wanted to point out to you how much it is out of control at the moment.

Mr. **Gunderson**. Have either of you had the chance to review the administration draft?

Mr. **Frazier**. The administration's draft, the draft bill? Yes, sir, I looked at it very quickly last night.

Mr. **De La Rosa**. We have seen a draft; I don't know if we have seen the final draft.

Mr. **Frazier**. I don't know if we have seen the final either.

Mr. **Gunderson**. I haven't seen a final either.

Mr. **De La Rosa**. I would like to add to my associate's comments. We haven't said that the administrative costs shouldn't be raised, and I think one of the areas of discussion was within the Department of Labor that the cost perhaps should be raised, but we have to measure by what we are given to measure with, and the standards we are given to measure with, and that is what we are reporting on in our audits and investigations.

If the Congress and the administration choose to change it by the legislative process and give us those guidelines to work with, that is what we will work with. With regard to the administrative costs, we will comment, as we are obliged to do under our responsibilities, as to whether it is an effective increase or not and what the problems are that we would project should they go too high. We would probably make a comment to you or offer our suggestions that, if they are too high, are you really accomplishing what you want to do in training people? If there is a reasonable higher level, with all of the factors considered, then certainly that is something we would have to consider and work with once it is established.

Mr. **Gunderson**. Here is at least what I need from you all, and you are obviously intelligent people who are experts in the program. I think you all will agree that the Congress intends, and I think the administration intends, for JTPA to be very different in both its function and its administration than most typical Federal programs. This is a unique program.

Now I will be the first to admit that there are some areas of this country where this local flexibility has been utilized to abuse the program—no question about it. I think I can proudly say that it is not in my congressional district, and, watch tomorrow, somebody will find that it is. But what we need from you is a specific kind of input: how do we make this program work based on what our intent and structure is?

In other words, we need answers from you. If the administrative costs are unrealistic, what in this kind of a program would be a proper administrative cost? If we do not have adequate data, how do we obtain data without remaking this a typical Federal program where you have all the strict rules, regulations, and paperwork driven from up here? Because if that is what we need to do to get the data, then I don't want the data; it is that simple. I am not going to sacrifice flexibility and the uniqueness to serve a local area simply to make us at the Federal level have a lot of numbers that make us feel good.

When we are talking about adequate documentation of expense, when we are talking about serving the proper population and adequate definitions of success, if we have to develop a new set of standards to do that, that is where we need your expertise, and I would really hope, between now and the time this process moves legislatively to its completion, that that is the kind of input we can get from you that, in all due respect, I think has been lacking in the documentation you have given us to date.

Mr. De La Rosa. May I respond?

Mr. Gunderson. Sure.

Mr. De La Rosa. I would agree with much of what you say that, where we are in a position to offer suggestions based on the expertise of our auditors and investigators, certainly we do that and we make the comments to the administration, to the Secretary, and to you in various formats, either in our semiannual reports, in the context of meetings such as we have with staffs, and in hearings such as this.

Sometimes there is a misunderstanding as to the process itself. As an example, I heard your concern with regard to a particular finding on the part of our auditors that seemed to be excessively high and yet was ultimately settled at a very low figure. I would like to see if we could explain that to clarify what figures are involved and how they were arrived at, and, if I may, I will let Mr. Peterson treat that particular issue.

Mr. Gunderson. Sure.

Mr. Peterson. Yes. We talk about the Oregon audit, and I think some of the figures there may have been somewhat misleading. That report was issued on September 27, 1988. OIG questioned JTPA profits of $4,205,666. This is the total of the OIG questioned cost. In addition, OIG recommended that ETA require reclassification of $53.8 million of reported training expenditures to the proper JTPA cost categories because it had not been costed out to the proper categories.

Of the $4.2 million questioned by OIG, ETA made the following determination: They disallowed $4.1 million of program profits retained by the district program operators, which represents about 99 percent of the total amount questioned in the report.

In addition, ETA determined that the use of the fixed unit price contracts for the purpose of charging all costs to the training cost categories was improper and the amounts thereby improperly classified as training costs are hereby finally disallowed. So it was ETA that disallowed the $53.8 million.

Mr. GUNDERSON. Was the simple reason for disallowances they were improperly classified?

Mr. PETERSON. That is correct.

Mr. GUNDERSON. That is not fraud.

Mr. PETERSON. That is not fraud, but what I am trying to point out to you is that the audit did not put $53.8 million into question. We questioned $4.2 million, and $4.1 million was ultimately disallowed by ETA. The $53.8 million was ETA disallowing because it had been improperly classified.

Eventually, the State provided documentation to show that $11.8 million of the $53.8 million was properly classified, and at that point in time ETA ruled that the remaining $39.8 million should be further reclassified.

Mr. GUNDERSON. We must be dealing with different reports. The report in front of me says that $5.9 million in profits were acknowledged by the State; ETA allowed $2.6 million as having been spent on JTPA activity, $1.6 million to be reprogrammed, and required $1.7 million to be remitted. How do those numbers and yours reconcile—they are quite different.

Mr. DE LA ROSA. I can't see the semiannual report you are reading from.

Mr. GUNDERSON. April 1 to September 30, 1990. Is this different?

Mr. PETERSON. Yes. What you have done is, you have jumped ahead of me. What I was trying to give you is the full history of the report, okay? But the $53.9 million which was alleged earlier to have been questioned by OIG is not true. There was never $53.9 million or $53.8 million questioned by the Inspector General's office. That is what I am trying to point out, sir.

Mr. DE LA ROSA. You obviously have a concern, with that semiannual report, and we will be happy to resolve that with your staff. Mr. Peterson is also reading from what should have been published in there.

My point in raising this was that quite often—and I believe the Secretary alluded to this earlier—reports are issued questioning amounts of money. When the final resolution, that is, the dealings with ETA and the dealings with the SDA and the other entities are concluded, there may be a much lower amount or maybe even the entire amount is justified. Somewhere between the questions raised by the auditors, whether they are GAO or OIG auditors, there is continuing discussion and resolution.

It is my limited experience, in the few months I have been here, that quite often the auditors have to go back to ETA personnel saying, "Here is what we are questioning," because they can't resolve it either because of the absence of enough information or questionable rules and regulations, such as the absence of circulars and things of that nature, and ETA has to make a ruling, then come back and notify us as to what their final determination is or work out with the SDA the problem and then notify us.

So there are large sums, and quite often we are accused of saying, "Oh, my God, the Inspector General says there is $100 million"—speaking hypothetically—"that is in question here." It might be and it might be a much lesser sum resolved at some point.

Mr. GUNDERSON. I appreciate your commitment to correct utilization of numbers and points, but your statement here today on page seven says that another 60 percent of all JTPA placements had been made with employers who would have hired and trained the participants without JTPA ever coming into the picture.

Now let me read to you from your report number one, Office of the Audit, on JTPA, where it says, "On the other hand, about 67 percent of the employers who provide work experience and training replied that they would not have hired the participant without the subsidy." Now those numbers don't jibe.

Mr. DE LA ROSA. They don't jibe reading them in this context. I would like to see them side by side, and I would furnish a response for the record after I have had an opportunity to review that document.

Mr. PETERSON. The 60 percent applies only to OJT.

Mr. GUNDERSON. That is right. It does apply only to OJT, but here what you are doing is, you are saying all of JTPA. That is a big difference. I mean if we audited you in the same standard that you are auditing all these SDA's, you would be in big trouble.

Mr. PETERSON. If it was not qualified, it should have been.

Mr. GUNDERSON. But, you see, this is the point I am trying to make with you all. I have an SDA back home right now that found out 2 months ago that at the end of this month 4,000 people are going to lose their jobs. They are trying their damndest to figure out how to put together an education and training infrastructure to meet that kind of responsibility. I would say Wisconsin has the best post-secondary voc-ed program in the country, and we still are not able to do it. We have been able to obtain the discretionary funds from the Secretary. These people are meeting on a weekly basis, trying to meet the immediate needs of those 3,400 people who are going to look for work again, and then you come in with this kind of stuff and tell them, "We have just done an audit on what you did back there in 1991, and you didn't classify everything in the right category." I mean you are losing the whole focus of the mission and intent of this purpose, and if we get nothing else done today, I hope we can get that message to you.

Mr. PETERSON. Sir, what does the Congress mean when you say that 70 percent of this should be spent on training? Do you intend that they should not classify those funds so that you know that the 70 percent is spent on training and that the admin is restricted to a certain percentage? I am not following you. Are you suggesting that they shouldn't classify those costs correctly?

Mr. GUNDERSON. What I am asking you to do is, if you are going to set up categories under which you are going to audit people, then, for God's sake, publish what those categories are so that they can know the standards by which they are going to be held accountable.

What I am asking you to do for this committee and the Congress is, if on the basis of your audits you find out that the percentages that we have allocated for training versus administration are unrealistic because in the kind of programs we are trying to set up the administration needs to be higher, as the GAO study says, then come and tell us that our numbers are unrealistic in the real world so we can change them in the authorizing language. That is what I am asking.

Thank you, Mr. Chairman. I have used up more time than I should have.

Chairman **Perkins**. More than 5 minutes. I appreciate Mr. Gunderson for all those illuminating remarks. As I promised you, he was a good show indeed.

I would now like to ask if our distinguished colleague from New Jersey is ready to equal the display.

Mr. **Andrews**. I would like to reserve three hours.

First of all, I want to echo something Mr. Gunderson said. I think we ought to rethink the statutory language to whom this program is directed. It is really not an issue for audit consideration but for us in the policy process.

Yes, we want to help those who have significant barriers to employment, but you are right that barriers to employment can very well affect people who have had a job, who have skills, who have an education, but the market changes on them very rapidly, and if the local government, if the service delivery area, does what common sense would say it ought to do, which is to help those people, it seems to me they ought not to be penalized for that, and we ought to create a more clear legislative authorization for them to help people in that situation.

The question I have goes to the "creaming" issue as well, and the question is, is it technically possible to create an evaluation scale that takes into account what I referred to earlier this afternoon as a difficulty factor? Is it possible to evaluate the performance of an SDA by saying that you get more points or a more heavily weighted average for placing someone who is less skilled, less educated, more historically difficult to place than someone who is?

It strikes me that when we just talk about flat placement percentages we are really not being very illuminating, because certain people are much easier to place than other people. Is it possible for one of your agencies to design such criteria that would make sense? And, if so, what would those criteria look like?

Mr. **Frazier**. I would say, Congressman Andrews, that if I understand what you are saying, you are looking for a performance-based thing for the allocation of the funds.

Mr. **Andrews**. Yes, and I am also looking for criteria which could objectively evaluate that performance, given the relative difficulties in placing different kinds of people.

Mr. **Frazier**. Yes. I am not certain that I know an answer that can say to you that we could objectively do that. I don't know. I am not aware of any studies that have done that.

Mr. **Nilsen**. Nothing specifically has been proposed, but the kind of indicator I think I understand you're talking about—in a report we issued in June of 1989, we talked about people who were less and more job ready, and we created a scale using data that was collected already by the local SDA's to determine whether or not people were more or less likely to have difficulty in the work force. You could look at this report and analogous kinds of measures could be proposed.

Mr. **Andrews**. It strikes me that one of the strengths of this program is that there is a fair measure of local control, and decisions are made by people who are actually in the labor market as employers and as educators and local officials and that that is a good thing, that tends to make sense, but the natural next step off that is, the better the job you do at delivering the services and placing your participants, the more money you ought to get, the better you ought to do. But I understand that to do that you need a fair and objective measure of what you have to do.

I represent the city of Camden, New Jersey, which has an economy that looks more like the Third World than it does an industrialized country, and to say to a service delivery grantee in Camden, New Jersey, that they are going to be evaluated on the same basis as someone in Morris County, New Jersey, which is a very affluent area in the northern part of the State, is not right.

By the same token, I don't think that the local government officials in Camden, New Jersey, should think that they are going to get their piece of the JTPA pie year after year after year, regardless of how efficiently they administer that money and regardless of how well they do in placing people in jobs.

What I am asking you to think about, not on the spot but, you know, within the next two to three minutes—what I am asking you to think about is whether or not we could develop criteria which would fairly take into account our legitimate demand that local grantees perform and their legitimate point that they can't all be measured on the same scale. Is that possible?

Mr. **Frazier**. We in the GAO do have a technical group that looks at the allocation formula, because that is how I understand your question, really.

Mr. **Andrews**. Yes.

Mr. **Frazier**. And I don't have an answer for you this afternoon about the allocation formula, but I will raise that with my group, or the special group that looks at the different formula grants, and I will have them contact your staff to talk about that.

Mr. **Andrews**. I would appreciate that.

The second and final question I have is about integration of the JOBS program and the ongoing activities of JTPA. What would you identify, any of you, as the most significant risks that we should be looking out for in terms of program redundancy, overlap, and miscommunication? How can we avoid those risks? And what would you suggest as the optimal local administrative structure for service delivery?

Let me say what I mean by that. If I understand it correctly, the way local people are telling me, the local welfare agency is likely to be the lead agency in jobs administration, that AFDC recipients, and I assume some others, will have their case managed and their placement process in the first instance managed by a welfare caseworker, which will then tie into the JTPA system at some other point in the process.

That doesn't make much sense to me, that we are going to duplicate the effort, we are going to have a welfare recipient deal with at least two local bureaucracies to get hooked up with this. What can we do to avoid that? How can we make sure that the best aspects of JTPA are used and not duplicated by the JOBS program?

Mr. NILSEN. Congressman, we share your concern and, in fact, we are starting some work now looking specifically at that question. We have developed quite a bit of experience in the JTPA, the employment service, and we are looking into the JOBS program also.

About 2 years ago, we issued a report that found over 43 federally supported programs providing training to out-of-school youths and adults, and these were administered by six different Federal agencies. So we agree that there are some questions there that need to be looked into, but right now we don't have any answers for you.

Mr. ANDREWS. Some fairly cynical person back home suggested to me that the welfare recipient who goes through this process would have excellent job training to become a Federal lobbyist, because they would have to deal with six or seven different Federal agencies by the time they got to the end of the process and could come down here and interact very effectively.

Mr. NILSEN. I would like to make one other comment about your earlier question, the extent to which certain areas, if I understand your question, may be overserved in a sense relative to other areas.

I think right now, with the funding levels of the JTPA, you are still only serving 5 percent of the eligible population. I think within the local areas there are more than adequate populations who need to be served by the program.

Mr. ANDREWS. Let me just close with one question, and this will be the last question. I do not advocate this idea, it was suggested to me, and I would like to hear any of you react as to why you think it might be a bad idea. What if we were to have a different job training track which said to those in the private sector this: "If you take a person who is JTPA eligible and train and place that person at your expense, and the person holds the job for a minimum period that you define—12 months, 18 months, 24 months—you, as the private sector contractor, get to keep 50 percent of the Federal income tax revenues that person pays for the next 2 years?" What is wrong with that idea?

Mr. PETERSON. I think we already have it in TJTC, don't we? I mean the Targeted Job Tax Credit program is very much just what you have said. So I think we already have one of those.

Mr. ANDREWS. Should a PIC have the authority to issue such a contract?

Mr. FRAZIER. To issue it for the IRS?

Mr. ANDREWS. To issue it for a private job placement vendor who would step in and take that risk. If the person doesn't get a job, you don't get paid.

Mr. PETERSON. Again, if that is being coordinated properly, they would have that—I believe they would have that right now. I think the certification would have to be done by the employment service, but the PIC could certainly cause that to happen as of today.

Mr. **Andrews**. Except the 13—that is the kicker. Any reaction to that?

Mr. **De La Rosa**. I would agree with my associate on that. I would want to think about that a little further, though, and comment, possibly for the record. There is a lot of consideration involved in that.

You opened the window, though, that I want to stick my OMB circular back into, and that is——

Mr. **Andrews**. I'm not quite sure how to respond to that.

Mr. **Gunderson**. I'd close the window.

[Laughter.]

Mr. **Andrews**. It gives a whole new meaning the word "pane," I guess.

Mr. **De La Rosa**. Mr. Gunderson is determined against it. Can I have that question back?

You talked about the linkage, and one of the things that we commented on in the statement for the record is the fact that HHS has decided to apply the OMB circulars to the JOBS program, which is going to have linkage with JTPA. There are two dissimilar criteria right there in dealing with these programs. So it is just another example.

Mr. **Andrews**. Dissimilar in eligibility, you mean?

Mr. **De La Rosa**. No, dissimilar in the application of standards in this case, OMB circulars. OMB circulars will apply to the JOBS program but not to the JTPA program. They will be measured by different standards.

Mr. **Andrews**. The local entity is left to interpret those differences and take the risk of getting a bad audit later on?

Mr. **De La Rosa**. There would be some problems.

Mr. **Andrews**. I think that is one of the things Mr. Gunderson was talking about.

Mr. **Peterson**. Also, the other large deliverer is Employment Security, which also operates under the circulars.

Mr. **Andrews**. Thank you very much.

Chairman **Perkins**. Thank you, Mr. Andrews. That was a very good job.

I want to ask that the record be kept open for any written questions Mr. Gunderson or anyone else here is inclined to tender. Without objection, it is so ordered.

I have a couple of questions I am interested in while I have you here today, too.

You know, this on-the-job training question is pretty controversial. The Chairman of the full committee absolutely hates it. He just thinks that we are seeing abuses there that have got to be corrected in some fashion. I noticed in your testimony you said that you thought the administration's proposal of the 6 months period was a step in the right direction, but be careful that we don't make everything 6 months. What other proposals do you have? I mean, obviously, Mr. Andrews' proposal was innovative, and we can't have anything like that, but what other ideas that are more dull and ordinary can you suggest that will perhaps let us tackle this problem dead on? Because it is a problem.

Mr. **Frazier**. I think the problem is really, quite frankly, the lack of training standards in the country. We in the GAO did a comparison with a few of the other industrial countries that do have training standards, and if we had those kinds of standards it would be a very easy thing to then say what it should take or about what it should take to learn a skill.

Chairman PERKINS. Training standards for on-the-job training, you are talking about.

Mr. FRAZIER. That is correct.

Chairman PERKINS. What type of standards are in place in other countries?

Mr. FRAZIER. Well, if we wanted to use the German system, for example, the apprenticeship training system, or their systems where they definitely have standards to say that it takes x amount of time to learn how to do a job, that is the kind of training that is lacking.

I believe the Labor Department now has the SCANS Commission that is working on developing training standards, or occupational training standards. That is what I am talking about, Mr. Perkins, the lack of occupational training standards. Since that is lacking, what seems to happen sometimes when you do have someone who is unscrupulous or decides to take advantage of the law, then we start seeing some of the abuses in the OJT requirement when you don't have training standards, and I suggest that that is one direction that we might look toward—that is, better occupational training standards.

Chairman PERKINS. Would you have any response on that?

Mr. PETERSON. I guess the only thing I would suggest is that the framers of the law initially had, I think, some good thoughts in terms of this program being an investment in human capital and in measuring the return on that investment. If only we had the capability, as you said in 1983 you wanted us to, to go out and measure the impact of this program—unfortunately, we haven't been able to follow through very well on that. We don't collect the data, and I know you don't want the data, but we don't really have the data to suggest whether this is a positive investment in human capital or not. It is sort of a shame, after all these years of running training programs, that we don't have better data in terms of, for instance, OJT.

If, for instance, we could sit here today and say that this investment was paying off in OJT, none of us would be here arguing about it, I think. We don't have that data, and I think we should have it, and I think we ought to move ahead in trying to get it.

But we don't even, at this point in time, capture the savings, the welfare savings, for instance, and apply that as a positive return on investment. I think we should, but we apparently can't get our welfare agencies and our employment security agencies together to the extent that we can exchange the data that is necessary to make that determination. It seems silly, but after all these years we still can't do it. It is a shame that, 8 or 9 years later, we still don't know if this investment in human capital is a good thing or bad.

Chairman PERKINS. I suppose I am still having a little trouble. It seems to me that if you have somebody flipping hamburgers for 6 months or somebody cleaning windows for 4 months that there probably is an excess period of time for learning that skill. It would seem to me that there must be a way to curb this kind of abuse.

What the OJT program ofted does is to supplement the employer's revenue rather than give any sort of benefit to the employee, and obviously what we are interested in doing is seeing the long-term benefits to the employee.

Given that kind of scenario, in terms of monitoring the OJT program, what suggestions would you have that would enable the OJT program to retain its flexibility and, at the same time, see that we don't have significant abuses of this type in the future?

Mr. Nilsen. I think, as we say in our statement, that the recommendation or the proposal in the administration's bill where they require going to the dictionary of occupational titles and looking at the training times suggested in there—what we refer to as lower-skill training has a training time of anywhere from four hours to 30 days—maybe more work could be done in that area to be more precise. When we find excess training for lower-skilled positions, we take the upper end in all cases, and that is what resulted in the findings we have where up to a third or more of those funds are being wasted. I think specifying what ought to be the standard is what is needed and the SDA's haven't had that kind of guidance in the past.

Mr. Peterson. The only problem with that, though, is, if you try to push this program to the more disadvantaged, and you can suddenly find people that perhaps need 6 months to flip the hamburger, you wouldn't want to design a program, I think, that would eliminate that person who needs that kind of training.

Chairman Perkins. You have to have some flexibility. I certainly concur with that.

That brings me to the next area in terms of flexibility: supportive services. That is something that we are concerned about, and we are specifically concerned about the limitations on supportive services. This is, as the ranking member has talked about, a very intensively human capital type of situation that we are dealing with. Given that kind of backdrop, it seems to me that the level of supportive services—child care, transportation—is extremely important, depending upon individual areas. Would you comment on the extent—and I know you have probably seen the drafts of the administration proposals on supportive services, and give us what your feelings are about them.

Mr. Frazier. I can't comment specifically on what is in the proposal, but what we have seen is, in some cases, supportive services have not been used as effectively or as much as they should have been. As a matter of fact, sometimes we have found that supportive services, because of the cap on administrative costs, are being used to hide some administrative costs, for example.

Chairman Perkins. Have you found that to be a barrier to those that are indeed in this "most at-need" category from actually being able to utilize the program?

Mr. Frazier. We really believe it is a barrier, and we are hoping that now that the JOBS program is established, and where it is allowable for charging transportation costs, baby-sitting costs, et cetera, that our SDA's will increase their use of the supportive services costs, and we believe that we have seen some increase in the use of supportive service costs.

Mr. **Nilsen**. To add a little to that, in the past we have seen that, as reported, SDA's are spending pretty close to the 15 percent implied cap on supportive services, but our current work has shown that much of that may not be, in fact, supportive services. We found, for example, employment generating activities in five of the six States we went to were being charged to that supportive services category, and those were generally administrative in nature.

So whether or not this is an adequate level or what is going on with supportive services we are not sure, and I think we don't really know how the administration's proposal to roll supportive services together with the employment, the job search assistance type activities, will work. There may be a concern that not enough money is allowed then for one or the other category, but whether or not they should be broken out, we are not sure.

Mr. **De La Rosa**. A similar finding.

Chairman **Perkins**. Well, I could keep you here for the rest of the afternoon, but I have got a plane to catch, and I suspect that after an hour and 15 minutes of Mr. Gunderson, and Mr. Andrews, and myself, you gentlemen are probably ready to go. So, with that in mind, I am going to let you proceed on to wherever you are going. Thank you very much for your testimony, and we will be giving you some written questions.

With that, this subcommittee hearing is adjourned.

[Whereupon, at 3:35 p.m., the hearing was adjourned.]

[Additional material submitted for the record follows.]

U.S. Department of Labor

Inspector General
Washington, D.C. 20210

MAY 31 1991

The Honorable Carl C. Perkins
Chairman, Subcommittee on
  Employment Opportunities
Committee on Education and Labor
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for the opportunity to present our views on amendments to the Job Training Partnership Act (JTPA). I know that you and the members of the Subcommittee share my interest in successful job training and employment services for needy Americans. I am sure that you and your Subcommittee also share my concern that these programs operate as effectively and efficiently as possible, and are consistent with the intent of Congress. In addition to providing my response to several questions furnished by the Subcommittee, I would also like to clarify two issues that arose during the May 9 hearing.

The first issue deals with costs questioned by the Office of Inspector General (OIG) in its audit of the Oregon Consortium, dated September 27, 1988 (Audit Report No. 09-88-548-03-340). During the May 9 hearing, Mr. Roberts T. Jones, the Assistant Secretary for the Employment and Training Administration (ETA), stated that $54 million was questioned by OIG in its September 1988 audit report on the Oregon Consortium.

I would like to clarify that the OIG did not question nearly $54 million as an inappropriate expenditure during that audit. Rather, the OIG recommended in its audit report that ETA "require reclassification of $53.8 million of reported training expenditures to the proper JTPA cost categories." On page 14 of the report we explicitly state: "We are not questioning the allowability of payments. We are reporting the contracts did not meet the requirements of the regulations and therefore the costs associated with these contracts must be charged to the appropriate cost categories ...." The proper classification of expenditures is important in JTPA in order to comply with the statutory cost limitations that are mandated by the Act.

Since an analysis of expenditures had to be performed by ETA in order to determine the extent of the Oregon Consortium's compliance with the statutory limitations on fund expenditures for administration and participant support, ETA reviewed the $53.8 million of reported training expenditures. ETA management determined that "the use of fixed unit price contracts for the purpose of charging all costs to the training cost category under 20 CFR 629.38(e)(2) was improper and the amounts thereby improperly classified as training costs are hereby finally disallowed."

The State subsequently provided documentation to show that some of the costs were properly classified, and ETA ruled that $39,841,152 "must be reclassified to the three JTPA cost categories of administration, participant support and training." Thus, following the issuance of the OIG audit report, ETA's own review and determination process was largely consistent with the OIG's audit recommendations with regard to the need to reclassify the great majority of those funds that the OIG had identified as having been improperly classified. Later, in the Settlement Agreement between DOL and Oregon, DOL agreed to waive its requirement that the State reclassify and allocate to the cost categories the $39.8 million.

A related question was also raised during the May 9 hearing with regard to the actual dollars questioned in the Oregon Consortium audit. The OIG had questioned profits of $4.2 million in JTPA funds that had been retained by seven district program operators. Subsequent to our audit, we were advised by ETA that "the State acknowledges that profits received by the Oregon Consortium during the five year, PY 1984-1988, were $5,912,081."

In effect, Oregon acknowledged additional profits of $1.7 million above the $4.2 million already identified by the OIG during the course of its audit. ETA, therefore, issued a revised management decision for the full $5.9 million ($4.2 + $1.7 million), which the OIG then reported to the Congress on page 55 of our Semiannual Report for the period of April 1 - September 30, 1990. The Settlement Agreement between ETA and Oregon shows that of the total of $5,912,081 that was questioned by OIG and ETA, $2,591,568 ultimately was determined to have been spent on allowable JTPA activities, while the remaining $3,320,513 was subject to repayment by Oregon.

The second issue concerns questions about the percentage of employers receiving training subsidies who say they would have hired the participants without the subsidy. My May 9 comments to the Subcommittee would have been more clear if I had used the exact language that was contained on page 63 of our audit report entitled "Audit of JTPA Participant and Training Services, Report I" (Audit Report No. 06-86-801-03-340). That audit report stated that "about 60 percent of the employers who receive OJT training subsidies say they would have hired the participants without the subsidy." I hope that this quotation from our audit report will clarify the views of the OIG on the issue of targeting in the JTPA program and also help to resolve any confusion that inadvertently may have been created.

The following are our responses to the questions furnished by the Subcommittee following the hearing:

Question: 1) The Office of the Inspector General has consistently stated that Titles I, II, and III of JTPA have been "implemented as a block grant." Can you specifically identify (a) how these titles are treated as block grants and (b) the impact of such treatment on the program, both in terms of performance and administration?

Answer: Although the JTPA statute contains no language reflecting congressional intent that JTPA is to be considered a block grant and even though the House Education and Labor Committee's ranking members communicated, in a letter to the ETA Assistant Secretary in February 1983, the congressional intent to firmly establish the Federal role as a full partner in JTPA, the program was implemented and continues to be treated as a block grant. OMB designated JTPA as a block grant even though the JTPA statute directly conflicts with OMB's principles and standards for block grant legislation. These principles, outlined in a November 22, 1982, OMB memorandum to all Federal agencies, stipulate that the goal of block grant legislation is to delegate maximum discretion and flexibility to block grant recipients and to impose minimum Federal intrusion in local affairs. JTPA, on the other hand, provides a role for the Federal Government as a partner in the implementation of the program.

The following comparison of block grant principles and the JTPA reveals numerous conflicts between the two.

Block Grant Principles	JTPA
States are responsible for the geographic allocation of block grant funds within the state.	Within-state allocation of funds by formula is an integral part of JTPA (Sec. 202).
States determine specific format and informational content of reports.	Reporting requirements are provided in JTPA (Sec. 106).
There are no specific funding requirements or limitations on states for use of funds.	JTPA includes specific cost limitations (Sec. 108).
Recipients may use funds for activities otherwise available.	Funds may be used to supplement available activities, but may not supplant them (Sec. 141(b)).

Recipients are permitted full discretion to allocate funds among allowable services activities and target groups.	Cost categories, cost limitations and specific targeting are integral parts of JTPA.
Recipients are permitted to utilize own organization, procedures and arrangements to administer funds.	JTPA specifies Service Delivery Area structure and Private Industry Council representation (Sec. 101 and 102).
Recipients may reallocate funds among related block grants.	Only costs of JTPA activities are allowable.

The most significant effect of applying the block grant status to the JTPA program was the waiver granted to the program from the administrative requirements of the OMB Circulars (Common Rule, Section 97.4). These Circulars govern cost, fiscal, and administrative principles for Federal grants and cooperative agreements with state and local governments and non-profit entities.

Some of the requirements of the OMB Circulars are found in the JTPA regulations. However, establishment of basic program controls, guidelines, interpretations and definitions are, for the most part, deferred to the Governors, allowing each state to set its own administrative requirements. As a result, the program suffers from a serious lack of uniform control and guidance. Use of multiple administrative procedures has resulted in inadequate control and accountability over the program.

With regard to the impact the block grant concept had on performance, the Congress mandated that criteria be developed to measure the return on the investment in human capital, i.e., the increased employment and earnings of participants and the reductions in welfare dependency. The collection of data to measure a return on investment has been limited and until such time that administrative procedures that capture costs and results-oriented data are implemented, no such measurement can be made. The application of the Common Rule to JTPA will allow for the collection of data which could be validated and then used to measure the return on investment in human capital.

Question: 2) Your testimony indicates that the OMB Circulars establish the relationship between the Federal government and both State and local governments. In the past, your staff has asserted that the Circulars in fact establish a Federal-State relationship. Where and how do the Circulars apply at the State level? at the local level?

Answer: The OMB Circulars provide administrative direction for state recipients. These Circulars also specify that, in many circumstances, the state grantees must impose the same requirements on local government subgrantees. In effect, there is a flow down requirement imposed in the Circulars.

Question: 3) You mentioned that the JOBS program operates under the OMB Circulars. Is there a distinction in impact and results between application of the Circulars to a program like JOBS, which does not include a substate allocation of funds, and JTPA, which does include a substate formula?

Answer: As you may be aware, the JOBS program is administered by the Department of Health and Human Services. In our opinion, there is no significant difference in the impact and result in applying the Circulars to a program with substate allocations to one which does not have substate allocations. The Circulars are designed, based on years of use and revision, to accommodate a wide variety of Federal programs. They were developed to streamline and minimize the burden of Federal administrative requirements for state and local grantees.

Question: 4) Has your office performed any audits of JOBS programs to determine if the programs are encountering any administrative or fiscal difficulties?

Answer: Although we do not have responsibility for audit of the JOBS programs, I referenced JOBS in my testimony to indicate that the OMB Circulars apply to a similar program that may be administered by the same state or local agency that administers JTPA. Thus, we have dissimilar administrative and fiscal guidelines, which may cause problems at the local level.

Question: 5) One alleged impact of adoption of the Circulars for the JOBS program has been to discourage smaller service providers from participation, leaving the programs largely to larger corporations and institutions. Can you comment on this? What would prevent such an impact in JTPA, where many of the service providers are small?

Answer: In our view, application of the Circulars should have no impact on the size of service providers that the states or SDAs would engage to deliver services for the JTPA program. However, we do not have evidence from our audit work to support this opinion.

Question: 6) You stated in your testimony that adoption of the OMB Circulars would alleviate most of the procurement, profits, cost accountability and financial reporting deficiencies which you have identified. Can you please identify for me specifically how each of these areas would be addressed by the Circulars, and indicate which section of the particular Circular would provide that answer?

Answer: The Circulars would provide the following specific advantages to JTPA:

a. Procurement The Common Rule at Section 97.36 provides that grantees and subgrantees will use their own procurement procedures which reflect applicable state and local laws and regulations, provided the procurements conform to applicable Federal law and the standards in the Common Rule. The Common Rule procurement requirements for "other grantees and their subgrantees" provide procedures for written codes of standards of conduct (conflict of interest), specific record maintenance, full and open competition, rules for sole source procurement, cost and price analyses, and awarding agency review. Often, state and local laws do not include these requirements.

b. Profits Currently in JTPA, service providers, including governmental and non-profit providers, can realize profits and are not required by regulation to expend those profits on the JTPA program nor return them to the Federal Government through future appropriation offset or any other means.

The Common Rule at Section 97.22(2) prohibits fees and profits for grantees and subgrantees. Circular A-87, Section A.1., states that no provision for profit or other increment above cost is intended for state and local governments. Application of the Circulars would not reduce the opportunity for private-for-profit organizations to make reasonable profits for services.

c. Cost Accountability Currently in JTPA, there is limited guidance on cost accountability. JTPA regulations specifically prohibit expenditure of JTPA funds for unallowable activities in violation of law or regulation, entertainment costs, insurance against debts established by the Federal Government, and legal expenses for the prosecution of claims against the Federal Government. All other cost allowability guidance is to be provided by the Governor. One thing that JTPA regulations are silent on is whether cost is allowable, allocable or reasonable.

For state and local governments, OMB Circular A-87 provides basic and needed definitions for costs and guidance for proper accountability of costs to ensure they are allowable, allocable and reasonable. This Circular provides guidance for governmental entities on allowability of certain items of cost in 36 separate cost categories.

For non-profit organization, OMB Circular A-122 provides definitions for costs and cost principles to ensure costs are allowable, allocable and reasonable. This Circular provides guidance on the allowability of 50 selected items of cost and addresses the unallowability of Federal reimbursement of costs associated with most kinds of lobbying and political activities.

d. Financial Reporting Currently in JTPA, financial reporting is limited to state-level semiannual expenditures by the three cost categories. JTPA also requires reporting of cash on hand at time of drawdown, but without certification or end of period reconciliation.

Under the Common Rule, Section 97.41, financial reporting is made on a summary Financial Status Report which provides information on total expenditures, refunds, program income, recipient's share of total expenditures (a critical item in audit resolution where an entity may claim offset credit for expenditure of its own funds on the program), Federal share of total expenditures, resources on order/unliquidated obligations, and indirect costs. DOL would have flexibility of requiring such reporting annually, semiannually, or quarterly and from either the state or SDA level. The Circulars also require that a certified cash management statement be submitted to DOL for monitoring cash advances and disbursements.

In our opinion, this degree of financial reporting under the Circulars is necessary for routine financial management of the program and would help ensure DOL compliance with the Federal Managers' Financial Integrity Act (FMFIA).

Question: 7) As I mentioned during the hearing, your testimony states that "60% of all JTPA placements had been made with employers who would have hired and trained the participants without JTPA ever coming into the picture." This statement is not upheld in the findings of the your actual report. Can you clarify this statement for the Committee?

Answer: As I stated earlier, my comments referred only to OJT employers. About 60 percent of these employers said they would have hired the participants without the OJT subsidy.

Question: 8) You also reference the 60% high school graduation rate of JTPA participants. Regrettably but clearly, a large number of our youth graduate from high school without attaining basic skills. Does your study look only at raw data, or does it take into account the actual skill levels of those graduates in questioning their need for JTPA services?

Answer: Our review looked only at raw data because the JTPA system, at the time of our review, did not measure the skill level of applicants. However, in our opinion it is reasonable to assume that high school dropouts are likely to be more deficient in basic skills than are graduates.

Question: 9) Your office has consistently criticized the use of "single-unit-charging" of fixed unit price contracts. Your testimony further indicates that audit work has found that "the entire spectrum of some SDAs activities ... were provided under a single fixed unit price contract." Can you provide us with the actual cases supporting this statement?

Additionally, you state that as much as 70-80% of all SDA funds are being spent through fixed unit price, performance-based contracts. Can you provide the Committee with current statistics on the prevalence of single-unit-charged, fixed unit price contracts throughout the JTPA program? Has the use of such contracting practices increased or declined since the program's inception? Have there been any shifts in the use of such contracts recently, given the publicity on this issue during the last Congress?

Answer: Our report on procurement by the Oregon Consortium showed that the Consortium used fixed unit price contracts (FUPC) as the exclusive vehicle to provide JTPA training and services.

In addition, at the time of our review of JTPA Participant Training and Services, our auditors observed that all program activities were provided under a single FUPC at the SDAs in Clearwater, Minnesota, and Indianapolis, Indiana.

The reference to the predominant use of FUPC emanates from our audit report issued January 1988. We do not have current estimates of the prevalence of FUPC. ETA management has stated they believe that the use of FUPC has declined; however, we do not have available data from them as to the degree it has declined. The point we were trying to make concerns the fact that widespread use of FUPC's avoids compliance with the JTPA cost limitations, since all costs are charged to training.

Question: 10) You have recommended that cost limitations apply to "funds expended" rather than "funds available" to bring Title II and Title III closer together. This provision was put into Title III to address a significant problem with unspent funds. Do statistics on funding flows in Title II show a similar problem? In addition, how would such a requirement affect the ability of programs to do long-term planning and to allocate funds for non-training costs up front? What would happen if certain training costs were later disallowed and a program then exceeded its cap on non-training costs?

Answer: We do not have any indication that Title II has extensive problems with unspent funds similar to Title III.

However, revising the cost limitations to apply to "funds expended" would not, in our view, reduce the ability to do long-term program planning.

If training costs were disallowed during the first or second year of a program year allocation, an SDA would still have time to incur allowable expenditures before the end of the available 3-year period. On the other hand, if expenditures were disallowed after the 3-year period had lapsed, an SDA would not be able to reobligate the disallowed funds. Revising the requirements to base cost limitations on funds expended would, in our view, enhance the ability to monitor the status of funds and alert SDAs to potential compliance problems while they still had time to spend available funds.

Question: 11) As was discussed at the hearing, there has been a great deal of discussion and controversy over costs "questioned" by your Office. Can you clarify for the Committee the difference between "questioned" and "disallowed" costs? Which of these terms describes the findings described in your reports? In the testimony your Assistant Inspector General, Mr. Peterson, presented to Congress last session, were the figures cited for Oregon, Michigan, Missouri, Houston, and Mississippi "questioned" or "disallowed?"

Would adoption of the OMB Circulars have prevented these practices? How would they specifically have done so?

Answer: The Inspector General Act Amendments of 1988 changed the terminology used by Inspectors General in describing auditee costs to which the OIG takes exception in an audit report. Prior to the amendments, there were two basic categories:

a) Costs Recommended for Disallowance: This category represented costs for which the OIG had evidence to support auditee violation of law, regulation or intent of legislation.

b) Questioned Costs: Costs for which adequate documentation to support allowability was not available, and costs for which the allowability was not clear (e.g., unnecessary, unreasonable, etc.).

This was the terminology in use at the time several of the reports referred to in your correspondence were issued. The Amendments of 1988 changed to "questioned costs" the terminology for all costs to which the OIG takes exception.

Currently, a "questioned cost" refers to a cost to which the OIG takes exception in an audit report. A "disallowed cost" is a cost for which the DOL funding agency, after reviewing the OIG audit report and the auditee response to the report, determines that the questioned costs were improperly charged to the Department and are subject to repayment. Only the DOL funding agency can disallow costs which are questioned in audit reports. As such, the term "questioned cost" (formerly 'cost recommended for disallowance' and 'questioned cost') is now used to describe all costs to which we take exception in audit reports.

The costs referred to in the testimony for the Oregon Consortium are "questioned costs." The costs associated with Wayne County, Michigan, and Kansas City, Missouri, refer to both "questioned costs" and "costs recommended for disallowance." The testimony associated with Houston and Mississippi relates to situations discovered during field work, which are presented as examples of funds paid to brokers for negotiating and monitoring OJT contracts and how, through the use of FUPC, a government entity earned profits. Questioned costs in the two reports totaled approximately $2 million.

It is the opinion of the OIG that the questioned costs associated with governmental entity "profits" and associated with lax contracting could have been prevented by application of the OMB Circulars.

Question: 12) Your latest Semiannual Report (4/1 - 9/30, 1990) states that the OIG questioned $17 million in JTPA expenditures during this period. Again, can you clarify whether these costs were "questioned" or "disallowed?" Also, when adding up the figures included in the audits described in the report, I arrived at a figure of about $10 million. Can you explain this difference to me and provide an itemization of the $17 million figure?

Answer: Your observation relating to the dollar difference in our Semiannual Report (4/1-9/30/90) is correct. While the dollars listed in the narrative for each report are correct, the reference to $17 million in questioned costs is incorrect. Subsequent to the issuance of the Semiannual Report, we discovered an input error in our audit tracking system related to the Big Five Community Services audit's reported questioned cost. The narrative in the Semiannual correctly depicts the questioned costs of $137,514; however, when the dollar values related to that report were entered in our automated tracking system, an error was made, in that the findings which contained dollars and cents were all entered as whole dollars. For example, the first questioned cost in the report was for $3,938.30 but was entered as $393,830. The amount of questioned costs was erroneously increased by approximately $10 million. This error was carried in our system until we detected it in a subsequent reconciliation process, and the questioned costs were corrected on April 8, 1991. Our current Semiannual Report (10/1/90 - 3/31/91) notes this and reflects the correction.

Notwithstanding our efforts to ensure that data in the system is correct, we are very concerned that this did occur, and we are in the process of instituting further internal review procedures designed to preclude any recurrence.

If I can be of any further assistance, please do not hesitate to contact me at 523-7296.

Sincerely,

Julian W. De La Rosa
Inspector General

HEARING ON PROPOSED AMENDMENTS TO STRENGTHEN THE JOB TRAINING PARTNERSHIP ACT

TUESDAY, MAY 21, 1991

House of Representatives,
Subcommittee on Employment Opportunities,
Committee on Education and Labor,
Washington, DC.

The subcommittee met, pursuant to call, at 2 p.m., Room 2261, Rayburn House Office Building, Hon. Carl C. Perkins [Chairman] presiding.

Present: Representatives Perkins, Ford, Goodling, Andrews, and Gunderson.

Staff present: Omer Waddles, staff director; Pat Fahy, senior legislative analyst; Deborah Katz, office manager; and Tracy Hatch, minority professional staff member.

Chairman **Perkins**. I guess we might as well get started here today. I would like to welcome all of you. This hearing is the second in a series to examine proposals to amend the Job Training Partnership Act.

While I welcome everyone here, I want to especially welcome our good friend from Kentucky, Virgil Osborne, who is going to be retiring at the end of this month, after 23 years of service to the Eastern Kentucky Concentrated Employment Program.

Virgil, you certainly have been a wonderful addition to the lives of the people of Eastern Kentucky. You are to be commended for all that you have done over the years.

I know that each of us here today is committed to the improvement of the JTPA. As the new chairman of this subcommittee, I am committed to insuring that extremely limited job training dollars are spent efficiently and effectively. Currently, the Job Training Partnership Act serves less than 5 percent of the eligible poor population. We spend less than one-third of what was spent under the Comprehensive Employment and Training Act of the 1970s. Since the enactment of the JTPA in 1982, funding has remained stagnant. If we adjust for inflation, we now spend 31 percent less than what was spent on JTPA in its first year of operation.

If we are ever to solve the overwhelming problems of unemployment, poverty, crime, dependency, and utter hopelessness among so many in our Nation, we have to provide better opportunities and alternatives for productive employment. We also have to reach more of those that are in need. I am well aware of the widespread criticism of this program. I plan to introduce amendments to correct these problems. These amendments may be comprehensive or, at times, controversial. I am committed to addressing every problem that has been cited as a reason not to increase funding for this program.

Two weeks ago, the Secretary of Labor, the General Accounting Office, and the Department of Labor's Office of the Inspector General testified before this subcommittee. One point repeatedly emphasized in the hearing was the lack of Federal and State oversight and guidance for JTPA. I believe that the Congress, the administration, and many of the organizations represented here today are in agreement on the need to increase oversight of this program. I look forward to working with each of you.

At this time, it is my pleasure to ask the distinguished Chairman of the full Committee on Education and Labor, Representative Bill Ford, to introduce some of our first witnesses.

Chairman Ford.

Mr. FORD. Thank you, Mr. Chairman. First, let me tell you that I am very pleased that you have started these hearings on JTPA reform. You and I discussed this when you consented to be the chairman of this committee, at the beginning of this Congress, and assured us that you were going to move expeditiously to get to the problems and try to clean this program up as soon as possible. I think the hearings that you have scheduled are fully consistent with that commitment on your behalf and for the whole committee. I want to compliment you for that, and thank you for undertaking this effort.

It is a special privilege for me today, if you will permit me, to take the pleasure of introducing two of your witnesses. All three of them are known to me, but Mr. Kolberg will understand for obvious political reasons why I want to introduce the others in particular.

Phil Power will be representing the Commission on the Skills of the American Workforce and their report on "America's Choice: High Skills or Low Wages" and Kay Beard is a county commissioner in my congressional district. Phil Power is a constituent as well as a regent of the University of Michigan. Kay Beard is a tough, hard-working county commissioner, representing a part of my district, on the Wayne County Commission. She is appearing here today in her capacity as Vice Chair of the National Association of Counties and their Employment Committee. It is a pleasure to see two very old and very dear and very close friends at the table.

You are in good company with Mr. Kolberg. We have come to know him on this committee, and we listen carefully when he is speaking.

I thank you, Mr. Chairman, for that privilege.

Chairman PERKINS. I thank you, Chairman Ford.

Of course, as Chairman Ford has indicated, we also have William H. Kolberg, the President of the National Alliance of Business, with us today.

We welcome each of you. We are very pleased to welcome you here. We want to listen to what you have to say. We want to get a good bill, as my friend Bill Natcher would say. So we are very dependent upon what we listen to and what opinions are expressed to this subcommittee.

With that, we would like to ask Mr. Power to lead off and lend us his expertise.

Excuse me. Before I do that.

Steve, do you have an opening statement?

Mr. GUNDERSON. Mr. Chairman, let me just be very brief and ask unanimous consent that an opening statement be in the record. I think that Mr. Andrews and I are the only ones on the panel here today who don't have anybody testifying. So we won't give any glorious introductions. We will get on with the testimony but ask unanimous consent as well, Mr. Chairman, that a statement from the Wisconsin Superintendent of Public Instruction might be entered into the record.

Chairman PERKINS. Without objection, so ordered.

[The prepared statements of Hon. Steve Gunderson and Herbert J. Grover follow:]

The Honorable Steve Gunderson
Subcommittee on Employment Opportunities
Hearing on Proposed Amendments to JTPA
May 21, 1991

Opening Statement

Mr. Chairman, two weeks ago this Subcommittee once again turned its attention to consideration of amendments to the Job Training Partnership Act, hearing testimony from the Secretary of Labor, the Inspector General and the General Accounting Office. That testimony appropriately came at the outset of our deliberations, setting forth both the concerns of the past and the vision for the future.

I would like to reiterate one key element of this "vision" that must be present when we finally agree upon amendments to the JTPA. JTPA is a unique program -- and that was Congress's clear intent when the program was developed almost 10 years ago. The program has a specific mission and equally specific goals. We cannot allow ourselves, as we debate the various proposals which come before us, to lose sight of that mission -- to provide job training to those who need it most -- and those goals -- to measure our success by performance, not by how easy the program is to audit or gather data on.

Today's witnesses, representing all of the major employment and training interest groups, will greatly complement the testimony we heard on May 9, because these are the groups which actually go out and implement the program. I hope that each of you will share with us your own unique perspectives on where JTPA is successful, where it doesn't meet the needs of its participants -- those enrolled for services, service providers, business partners, and public partners -- and when we here in Congress are going too far in our efforts to "fine-tune" this valuable program.

Mr. Chairman, in closing I would ask unanimous consent to include in the record for this hearing a letter from Herbert Grover, the Superintendent of Public Instruction for the State of Wisconsin, expressing that Department's position on various proposed amendments to JTPA. Regretably, Dr. Grover was not able to be with us today personally.

With that, Mr. Chairman, I thank you and look forward to today's testimony.

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May 17, 1991

The Honorable Steve Gunderson
United States Congressman
Third Congressional District--Wisconsin
227 Cannon House Office Building
Washington, D.C. 20515

FAXED 5/20/91

Dear Steve:

I welcome this opportunity to communicate with you on amendments to the Job Training Partnership Act (JTPA). Although we are not able to come to Washington to testify next week, we would like to offer the following additional information and have it included in the record for the hearing on the JTPA legislation.

The concerns we raised earlier about the proposed changes in JTPA in 1989, and more recently with House Education and Labor staff, deal with the 8% set-aside. Section 123 of the current law should be retained for the reasons noted below:

- The JTPA 8% set-aside should remain with the state education agency. This category provides local school districts with the opportunity to coordinate with other local institutions, community service providers, and state agencies. These dollars can be a catalyst for local school districts to change how they deliver services to at risk youth locally. We have used JTPA 8% funds in Wisconsin to require collaboration among agencies and institutions. We also require a local dollar match. For the past seven years, local districts in Wisconsin have put in $3.00 for every $1.00 received--thus, JTPA 8% funds have been used in a very cost effective manner.
- The concept of training pupils to overcome skill deficiencies and targeting the specific needs of various population groups is sound public policy.
- This section should be focused on systems change for K-12 by using the principles of Wisconsin's Education for Employment standard as the vehicle to achieve the twin goals of building collaboratives and increasing educational accountability.
- The JTPA funds must be used to help build collaboration among education, employment and training, and health

and human services. Simply stated, education needs to reach out and work more effectively with other agencies including various community organizations.

- A goal of public policy in the country should be that all youth have employability skills when they graduate from high school. Each pupil should receive a resume and a diploma.
- Waiting until pupils drop out of school is too late. Prevention strategies need to be developed. The National Commission for Employment Policy's report on middle school-age youth profiles some excellent models.
- At risk youth need extra help in tying employability to education so they can understand the connection between learning and earning. As a policy, Education for Employment does exactly this.

Wisconsin has used JTPA 8% to build collaboratives with the employment and training community in the following ways:

- We have joint agreements with each Service Delivery Area (SDA) and meet with each Private Industry Council (PIC) annually to develop Department of Public Instruction goals for 8% projects.
- Many projects in Wisconsin are jointly funded with 8% DPI-administered dollars and SDA 78% funds. The DPI emphasizes basic skills development and remediation and SDA funds provide the work experience opportunities.
- We jointly sponsor, with the Departments of Industry, Labor and Human Relations (DILHR) and Health and Social Services (DHSS), two state level conferences annually for pupils at risk and for multicultural youth.
- We encourage local operators to have 8% project youth transfer to summer IIB programs resulting in year-round programming.
- We require all 8% projects (20 for 1990-91) to coordinate with related education initiatives in the state including the children at risk plans in each district and the seven components of the education for employment standard in which all youth in Wisconsin have the opportunity to participate.-
- The DPI and local schools are full partners in a statewide collaborative planning and program implementation process for children at risk.
- We have learned in our collaborative training sessions that incentives for coordination are essential. These incentives include dollars as well as policy that allows for time and ability to work together.

I appreciate the opportunity to share my ideas on JTPA with you and other members of the House Subcommittee on Employment Opportunities. In Wisconsin, JTPA 8% funding has been successful in making systems change. The JTPA 8% was the catalyst which led to statewide children at risk legislation and set the stage for Education for Employment.

If the committee would like information on what other states are doing with JTPA 8%, please know that the office of the Council of Chief State School Officers would be glad to provide this information. I know JTPA 8% can continue to make a significant, positive difference for a group of our young people who especially need this support.

Sincerely,

Herbert J. Grover
State Superintendent

HJG:emv

cc: Gordon Ambach, Executive Director
Council of Chief State School Officers

Mr. Andrews, do you have any opening statement?

Mr. ANDREWS. Thank you, Mr. Chairman. Very briefly, let me thank you for inviting Commissioner Beard to be here today. A year ago I was serving as New Jersey's equivalent of the County Commissioner in my county. I took a demotion and came here. But I commend you for having county officials who are so important in the JTPA process testifying before us. I welcome everyone, and I am particularly interested in hearing those witnesses presenting the county perspective.

I thank you.

Chairman PERKINS. Thank you, Mr. Andrews.

Mr. Goodling, do you have any opening statements?

Mr. GOODLING. No. I have some panelists later.

Chairman PERKINS. Let me inquire one more time. I want to make sure that Chairman Ford has finished his remarks. Do you have anything else you want to say, Bill?

Mr. FORD. Not until they have testified.

Chairman PERKINS. With that, Mr. Power, I will again ask you to give us the benefit of your expertise. We are anxiously awaiting what you have to tell us today.

STATEMENTS OF PHILIP H. POWER, THE COMMISSION ON THE SKILLS OF THE AMERICAN WORKFORCE; THE HONORABLE KAY BEARD, VICE CHAIR, NATIONAL ASSOCIATION OF COUNTIES' EMPLOYMENT COMMITTEE, COMMISSIONER, WAYNE COUNTY, MI; AND WILLIAM H. KOLBERG, PRESIDENT, NATIONAL ALLIANCE OF BUSINESS

Mr. POWER. Before I begin, Mr. Chairman, I would like to thank you very much for the opportunity to appear before you and the other subcommittee members. I would like to express my personal thanks to Bill Ford, who has probably done more to deal with education in all its varieties—higher, K-12, and job training—than anybody that I have ever met. It is an honor to have you here today to hear my testimony.

Thank you very much, Bill.

I appreciate the opportunity to appear before your subcommittee, Mr. Chairman, because you are dealing with one of the most challenging questions confronting our Nation, which is: Will America reorganize its work structure into a high productivity model demanding high skills and supporting high wages, or will it succumb to the forces pulling us toward a routinized, low-skill model that can only result in progressively lower wages for American workers?

This is the core of the argument in a report by the Commission on the Skills of the American Workforce, on which I serve, which produced recently the report entitled, "America's Choice: High Skills or Low Wages." Bill Kolberg was a member of this commission. I hope that many of your subcommittee have had the opportunity to read the report.

I would like to give you a sense, very briefly, of the main recommendations and then give a sense of how they might fit together with your particular focus—namely, improving JTPA—and try to add to that the benefit of our own experience in Michigan.

The report basically found a number of research points. First, by any measure, American workers, whether they are leaving school or whether they are on-the-job, when compared with workers in our industrialized competitor nations, lack basic skills. That finding has been replicated on a number of occasions. The Commission figured that it would be an easy job to do our research because we would then go to employers, internationally and nationally, and say, "What about skills?" And employers would tell us we don't have enough skills. Then we would find that we ought to have more skills, and then we would go home.

Our findings from employers were, in this context, counter-intuitive. We found that most employers were interested in workers who had basically very limited skills, who instead had a good work ethic, who were prepared to learn and were prepared to cooperate with others.

So instead of finding a skill shortage and angry employers, we found a skill shortage and employers who were prepared to tolerate employees coming into their employment with low skills and who had developed, by and large, a system of work organization which tolerated and accepted repetitive routinized labor assignments, low productivity and, therefore, low wage rates.

We made a series of recommendations to deal with this complex problem. One, we proposed that a certificate of initial mastery be awarded to every person who undergoes and successfully demonstrates mastery of basic skills. America is the only industrialized country in the world that has no system for benchmarking an assessment of skills required of children in schools, skills required of anyone who is leaving school, whether they go to the labor force or to college.

Second, we recommended creating a series of youth centers designed specifically to provide alternative education and basic skills for children who are dropping out of school, dropping out of society, and becoming burdens to the public welfare.

Third, we recommended a broad ranging skills policy proposal in the country, in which we suggested that a series of professional training programs be set in place to provide people who were both leaving school and just entering the workforce with training opportunities to pursue serious careers and employment.

I would like to suggest that three of the Skills Commission's recommendations might be fruitful for you and your committee in modifying JTPA.

First, the recommendation that all American students be required to meet an educational skills performance standard benchmarked to the highest in the world. I think this recommendation is crucial. We will never see our workers matching the achievements of those in other industrialized nations if we do not demand comparable mastery of skills.

In the Commission's report, students would be assessed through a performance-based system, demonstrating concrete accomplishments over time, not a high stakes, one-time, multiple choice test that sorts the college-goers from those presumed to be too dumb to go to college. The sort of comprehensive assessment system we envision does not exist today. The development is underway, coordinated by Lauren Resnick, another Commission member at the University of Pittsburgh.

As you examine JTPA's performance standard, you may wish to require programs to support achieving world class competencies, both for youths and for adults. This will represent setting much higher standards for success than are used today. Settling for less simply reinforces the concept of JTPA churning participants through, "quick and dirty," with little lasting impact.

Some of the worst examples of this tendency have come from excessive reliance upon on-the-job training and on direct placement approaches in which no discernible skill improvement appears. Saying that the participant received barely enough skill improvement to get to the next job does that person no special favor. Rather, it increases the likelihood that the participant will either be stuck in a low wage job or shortly back among the unemployed.

Second, as you consider JTPA's youth activities, I urge you to look at the youth centers concept proposed by the Commission. We found that America, in general, does a terrible job of dealing with dropouts when compared with other industrialized countries. Essentially, we throw them away; we offer them no second choice. It is, roughly speaking, 20 percent of the total age cohorts of children who don't even get a high school diploma.

The Commission's notion was to establish locally managed youth centers that would be responsible for all young people who have left school without achieving a Certificate of Basic Mastery, passing the examination that I mentioned earlier. The youth centers would provide year-round access to alternative basic education, employment and career counseling, work experience, and job placement. They would work closely with both employers and social service agencies. The main idea is that they would be accountable for ensuring that the fewest students possible fall between the cracks and fail to obtain the basic skills that are needed for lasting employment.

The committee may wish to look at how the concept of youth centers fits into the JTPA system. I think the fit is a close one. For example, JTPA could fund some of the activities of the centers. JTPA agencies could be directly involved with center operations.

Thirdly, the Commission recommended establishing local employment and training boards. These were to resemble Private Industry Councils as we now know them, but with much broader powers. They would be responsible for school-to-work and youth center-to-work activities. They would manage the youth centers and the job service, and they would oversee local operations of certification systems.

Both the Commission's research and all our efforts in Michigan strongly reinforce the importance of attacking the terrible fragmentation that presently exists in our job training efforts in this country. In State after State, the notion of system integration and workforce investment programs is becoming a driving theme.

In Michigan, for example, when we inventoried the total human investment system, not counting K-12, we discovered that in addition to JTPA, there were 85 other programs—some funded by the Federal Government and some by State government—with a total of nine differing departments of State government with jurisdictional and managerial responsibility, and a total of $800 million per year in cash flow flowing through this assemblage of programs. We concluded that at the end of the day, the critical public policy problem is how to get something done when the prospects of serious additional funding are very limited. Our evidence indicated to us in Michigan that the problem was not necessarily a money problem, but that it might well be a managerial problem. If you think about it, JTPA itself is not a stand-alone program for only one segment of our population, but part of a broader issue of public and private investments in workforce preparation, in skill maintenance, in job placement assistance, and in human investment as a whole.

Note also that the Commission's recommendation was to empower local boards, not State boards nor national boards. Our experience in Michigan reinforces that recommendation. It was our finding that we need to push responsibility in management to the local level wherever possible rather than controlling and commanding from above. We must hold local agencies accountable, and we should continue to use and build outcome measurements such as those found in the JTPA's performance standards to do this. Federal and State regulators should manage outcomes and not process.

Thank you, Mr. Chairman.

[The prepared statement of Philip H. Power follows:]

Testimony before
House Education & Labor Committee
Subcommittee on Employment Opportunities

May 21, 1991

Philip H. Power

Mr. Chairman, I appreciate this opportunity to appear before your subcommittee on what is one of the most challenging questions facing our nation -- Will America reorganize its work structure into a high productivity model demanding high skills and supporting high wages, or will it succumb to the forces pulling us toward a routinized, low-skill model that can only result in lower wages for American workers?

The core of the argument for adopting the "high skills...high wages" model is argued persuasively in America's Choice: high skills or low wages!, the report of the Commission on the Skills of the American Workforce on which I serve. I won't repeat it here; copies of the report are available for anyone who hasn't yet read it.

What I'd like to do today is focus on your mission, looking at how the Skills Commission's recommendations fit with the Job Training Partnership Act and possible revisions to it. I also want to tie those recommendations to the experiences we had in Michigan, where I served for nearly eight years as chair of the state's Job Training Coordinating Council, dealing both with JTPA and with broader experiments in comprehensive human investment strategies.

I believe that three of the Skills Commission's recommendations should be considered in modifying JTPA.

First, we proposed that all American students be required to meet an educational and skills performance standard that is benchmarked to the highest in the world.

This recommendation is crucial. We will never see our workers matching the achievements of those in other industrialized nations if we don't demand comparable mastery of skills.

Students would be assessed through a performance-based system, demonstrating concrete accomplishments over time, not a high stakes, one-time multiple choice test. The sort of comprehensive assessment we envision doesn't exist today. Development is underway, coordinated by Lauren Resnick, another commission member, at the University of Pittsburgh.

As you examine JTPA's performance standards, I encourage you to require programs to support achievement of world-class competencies, both for youths and adults. This will represent setting much higher standards for success than are used today, but settling for less simply reinforces the concept of JTPA churning participants through "quick and dirty" with little lasting impact. Some of the worst examples of this have come from excessive reliance on On-the-Job-Training and direct placement approaches in which no discernible skill improvement occurs. Saying the participant received barely enough skill improvement to get to the next job does that person no great favors. Rather, it increases the likelihood that the participant will be either stuck in a low wage job or shortly back among the unemployed.

Second, as you consider JTPA's youth activities, I urge you to look at the Youth Centers concept proposed by the Commission.

We found that America does a terrible job dealing with dropouts when compared with other industrial powers. Essentially, we throw them away, offering little coherent "second chance" help to the 20% of our students who don't even get a high school diploma.

The Commission's idea was to establish locally-managed Youth Centers that would be responsible for all young people who've left school without achieving a Certificate of Basic Mastery -- passing the examination I mentioned earlier. The Youth Centers would provide year-round access to alternative basic education, employment and career counseling, work experience and job placement. The centers would work closely with both employers and social service agencies. The key idea is that they would be accountable for ensuring that the fewest students possible fall between the cracks and fail to obtain the basic skills that will be needed for lasting employment.

I urge the committee to look at how to work the concept of Youth Centers into the JTPA system. I think the fit is a close one. For example, JTPA could fund some of the activities of the centers, and JTPA agencies could be directly involved with center operations.

Third, the Commission recommended establishing local Employment and Training Boards. These would resemble Private Industry Councils as we now know them, but with much broader powers. They would be responsible for school-to-work and Youth Center-to-work activities. They would manage the Youth Centers and the Job Service. And they would oversee local operation of certification systems.

Both the Commission's research and our efforts in Michigan reinforce strongly the importance of attacking the terrible fragmentation that presently exists in our job training efforts in this country. In state after state, the notion of system integration in workforce investment programs is becoming a driving theme. JTPA has played an extremely positive role historically in encouraging linkages, and I would urge you to build on that history.

As you work on JTPA, think of it not as a stand-alone program for one segment of our population, but as part of a broader issue of public and private investments in workforce preparation, skill maintenance and job placement assistance - in human investment as a whole.

Note also that the Commission's recommendation was to empower LOCAL boards, not state boards or national boards. Our experience in Michigan reinforces that recommendation. We need to push responsibility down to the local level wherever possible, rather than controlling and commanding from above. We must hold local agencies accountable, and we should continue to use and build outcome measurements such as those found in the JTPA performance standards to do so. Federal and state regulators should manage outcomes, not process.

The challenges we face are great. And we need to recognize that JTPA does only deal with a small part of the total problem. Upgrading the skills of the already-employed and ensuring that our children leave school with world class skills and learning capacities are public policy changes that go far beyond JTPA.

But JTPA can play a constructive role in the total solution, if it is carefully recalibrated to be consistent with these broader, energizing policy goals.

Chairman **Perkins**. Thank you, Mr. Power.

We are going to suspend this hearing while we go vote. We'll be back in just a couple of minutes for the Honorable Kay Beard's testimony.

With that, we are going to recess, and we'll be right back.

[Recess.]

Chairman **Perkins**. At this time, we would like to reconvene and turn our attentions to the words of the Honorable Kay Beard, Commissioner, Wayne County, Michigan.

Ms. **Beard**. Thank you, Mr. Chairman.

I also am Vice Chair of the National Association of Counties' Employment Steering Committee.

I am certainly pleased to appear before this subcommittee today to present the views of county officials on the proposed changes to JTPA. However, before I do that, I would like to congratulate you on becoming the new chairman of the subcommittee. Knowing that the National Association of Counties has had such a good working relationship with the subcommittee for many, many years, we certainly welcome the opportunity to work with you and the rest of the subcommittee, as well as Congress, as you consider these various proposals.

Also, I am so pleased that Congressman Ford was able to be here. We are so pleased in Michigan about his appointment to the chairmanship of the Education and Labor Committee. We are very proud of him in Wayne County. I know that his constituents would join me in expressing our sincerest appreciation to him for the fine job he is doing representing the 15th Congressional District. His leadership and vision will be a tremendous help to our Nation as we search for better ways to educate our people and to improve the quality of our workforce.

I was very pleased that Mr. Andrews has a good sensitivity to county government. I also understand that Congressman Steve Gunderson is also a strong advocate of local flexibility and an outspoken critic against creating additional layers of bureaucracy and unnecessary paperwork and reporting requirements.

To return to the subject of this hearing, let me say up front that NACO recognizes the need to make changes in the Job Training Partnership Act and urges Congress and the administration to move quickly in adopting the amendments necessary to improve the delivery system. Numerous reports have been publicized recently that clearly demonstrate the need to better target services to our most needy residents, to improve the quality of services provided to clients, and to improve fiscal accountability. As we have done in the past, we continue to urge that legislation be adopted that will achieve these objectives without imposing unnecessary administrative burdens on the service delivery system.

During the past 3 years, the General Accounting Office, the Labor Department, and the Office of Inspector General conducted a number of investigations into the JTPA program. The findings from these investigations have focused on a number of weaknesses in the job training delivery system. To correct these problems, three major proposals were introduced: H.R. 2039, S. 543, and the Department of Labor's bill, H.R. 2803. Each bill, of course, takes a slightly different approach to address the problems.

Although the administration was successful in getting many of its recommendations adopted in both bills, no agreement could be reached on a final compromise last year because of disagreements over proposed changes in the distribution formula, the summer youth employment program, client eligibility, and fiscal accountability.

NACO has been monitoring the progress of these proposals from the beginning, and we have testified on the impact they would have on the local delivery system. We have also worked very closely with Congress and the administration in the early stages of drafting legislation. While there were some provisions adopted in the Senate proposal that we didn't like, we generally found the final version acceptable. Unfortunately, a few provisions were adopted in the final House version that would impose a number of burdensome restrictions on local programs.

We are pleased that you have decided to take a fresh look at some of these issues. We are even more pleased that the subcommittee has decided to develop a new bipartisan bill. NACO staff has been meeting with your staff and the committee staff, and we are optimistic that a new bill can be developed without imposing onerous restrictions on the delivery system. We have also met with the Labor Department on numerous occasions to comment on early drafts of their new proposal. In general, we support many of the changes they have discussed with us, and we are also optimistic that the final version will be mostly acceptable. As we see it, Congress and the administration will be a lot closer this year on the proposed changes.

There are a few areas in which we would urge your favorable consideration as you develop a new bipartisan bill.

One is cost categories and limitations on spending. Spending limitations is perhaps our biggest area of concern. Since the enactment of JTPA in 1982, local service delivery areas have experienced a substantial increase in administrative responsibilities. Increased reporting, monitoring, client followup, and audit requirements have made it close to impossible to run effective programs with the limited amount of administration funds. A good illustration of this problem is in my own county, where one of our main concerns is the increasing number of Federal and State reviews. During the past year, our program has been reviewed on 18 different occasions by the General Accounting Office, the U.S. Department of Labor, and the Michigan Department of Labor. Literally, Federal and State officials are in our office almost on a daily basis. Needless to say, these reviews require a significant amount of staff time and cost us a substantial amount in administrative dollars.

Under current law, service delivery areas are required to account for all expenditures under three categories and a limit is set on the amount of funds that may be spent in each area: 15 percent may be spent on administrative activities, 15 percent on support services and 70 percent on training. Under the proposal adopted last year, local programs would first be required to change the way they calculate the limits. Instead of taking a percentage of their grant allocation, they would be limited to a percentage of their expenditure. For example, local areas receiving a $1 million grant under Title II-A may use $150,000 for administration. Under the proposal, they would only be able to use a percentage of what they spend, which will not be known until the end of the program year. This would make planning extremely difficult, since programs would have to operate based on estimated expenditures. It would also increase the risk for audit exceptions since programs wouldn't be able to determine if they have exceeded the limit on spending until long after the program year ends. We urge your support for the continued use of the current method of calculating limits for administration and support services based on grant allocations.

The second concern we have in this area is that the proposal would create a fourth category for accounting purposes. This, in our view, will prove problematic in that it will increase paperwork and reporting requirements without necessarily improving accountability. This change goes against the recommendation of the JTPA advisory committee, which recommended that the accounting process be simplified by establishing only two categories.

The first would be program management, which would include all administrative activities and be limited to 20 percent of the local area's allocation. The second would be training, which would include all other activities and be limited to 80 percent. This would reduce paperwork and reporting requirements without compromising on accountability.

We support increasing the cap on administrative funds from 15 percent to 20 percent and increasing the cap on support services from 15 to 20 percent. This change recognizes the increased management responsibilities required of service delivery areas and the additional support they will need to expand assistance to our most needy clients.

Support services will become increasingly important as we make the transition to serving a larger share of the most needy individuals. Without increased support for transportation, child care, meals and other personal needs, many of these clients will not be able to avail themselves of training. While linkages with social services and education and other job training programs will help to defray some of the costs, the needs among these are expected to far exceed available resources.

Whether or not current law is amended to reduce the number of cost categories from three to two, activities charged to training under current regulations should continue to be charged to training. These activities include client assessment, job search, counseling, job development and placement, all of which are vital to ensuring that clients receive adequate services to find employment after they are trained.

There is one other concern that we have about the cost limitation. While the proposed legislation would increase the limit on support services, we feel the demand will still far exceed available resources. We must keep in mind that we will be required to expand services to clients who, in many instances, will require long-term training to prepare for decent paying jobs. The longer they are in training, the more it will cost us to provide child care, transportation, meals, and other support services. Most of our clients will not be welfare recipients and, therefore, will not have income subsidies, food stamps, Medicaid, and other support services.

As we expand services to our most needy clients, it will be extremely important to establish linkages with social service programs that can assist in providing support to our clients. Even if we do, available resources for support services are expected to be inadequate to meet the needs. Local areas are more likely to establish linkages with agencies that can share in paying the cost of training than share in paying the cost of support services.

While linkages are vital to ensuring the most efficient and effective use of funds, we are convinced that they alone will not address this problem. Local areas must be given more flexibility in this area if we are to ensure adequate support for our most needy residents. To ensure flexibility and the most efficient use of funds, we urge you to consider adopting an incentive system that would waive the cost limitations for programs that expend their funds in an efficient and effective way by coordinating with other related education and job training programs in the service delivery area.

Concerning fiscal integrity, based on published reports by the Labor Department, the inspector general, and the Government Accounting Office, it is clear that some changes need to be adopted to improve fiscal accountability of the JTPA system. Many of the problems emerged due to the lack of early Federal guidance on procurement, accounting practices, and the use of revenues earned from program activities. However, we believe the policy guidance letter issued by the Labor Department in March of 1989, has corrected many of these problems. By issuing this letter, the Department of Labor set in place procurement standards, reimbursement procedures, and guidelines on the use of revenues earned from program activities.

To further ensure the fiscal integrity of this system, NACO believes that each State, in cooperation with local programs, should establish fiscal control, accounting, certification and monitoring procedures that comply with Generally Accepted Accounting Principles. We would also urge the adoption of stronger rules to govern financial management practice, stronger accountability statements, and clear definitions of such terms as "reasonable and necessary" costs and profits, so that local area will know precisely what is expected of them.

Under program design, in general, we are supportive of many of the proposed changes in the program design section. We believe changes that would better ensure the assessment of client needs and the provision of basic and remedial education as needed, are steps in the right direction. However, we urge you to avoid the adoption of overly prescriptive mandates that dictate specifically how local programs must be designed.

Particularly, you should avoid changes that would place unnecessary restrictions on when job search and job placement assistance can be provided. While we agree that JTPA should focus on providing educational and remedial activities and that job search assistance should be discouraged when offered independently, we must be sensitive to the needs of clients. For those who find themselves in a predicament where they need a job, local programs should have the flexibility to serve them, provided no other agency in the area is able to assist them.

On to on-the-job-training: We acknowledge that there have been cases of excessive use of on-the-job training contracts in the past. To address this problem, NACO supports proposed legislation that would limit OJT to 6 months. However, we would urge that Governors be authorized to grant waivers for longer periods under justifiable circumstances. We would also urge that local discretion be maintained in determining the length of training in OJT contracts, provided it is based on client assessment, employability plans, and training references, such as the Dictionary of Occupational Titles.

We also urge the continuation of brokered OJT, when the SDA uses a third party to arrange on-the-job training for participants. Many of the problems identified in this area have been corrected by the Department of Labor's 1989 policy letter. According to a recent survey conducted by NACO, service delivery areas have developed guidelines and increased monitoring of OJT contracts, increased the use of the Dictionary of Occupational Training as a guide in determining the length of OJT contracts, and redirected the number of OJT clients with prior work experience in the area for which training is provided.

Brokered OJT is particularly useful in rural areas where transportation and client accessibility may limit our ability to assist eligible clients.

On client eligibility: based on the latest estimates, 3 percent of the eligible client population is currently being served under JTPA. With such limited resources, we can easily understand the need to target services to the most needy. However, we would urge that targeting focus on skill deficiencies rather than on population characteristics. We support changes that would give priority for services to economically disadvantaged individuals who exhibit skill deficiencies, have poor work habits, and have limited English language proficiency. To ensure flexibility, we would further urge that local areas be permitted to target additional groups in their area so long as such groups are identified in the plan and approved by the State.

On summer youth: On the question of combining the Title II-B Summer Youth Program with other youth activities provided under Title II-A, we support the continuation of a separate summer youth title. Local service delivery areas now have the flexibility to coordinate activities that are provided under this program with in-school and other youth activities. In many cases, they have already established remedial components which have proven to be very successful in helping participants to retain what they learned during the regular school year.

Because so many economically disadvantaged youths depend on this program for work experience, for development of good work habits, and for income, it should not be eliminated or restricted on to in-school use.

Mr. Chairman, we have a few other issues which I will not mention in these comments, but we have attached a complete copy of our policy paper and resolution on the JTPA amendments for the record.

In conclusion, we certainly look forward to working with you as you develop the new bipartisan bill. We stand ready to assist in any way that we can to ensure its approval.

Again, thank you for the opportunity to testify. I would be happy to answer any questions at the appropriate time.

[The prepared statement of Hon. Kay Beard, along with referenced documents follow:]

NATIONAL
ASSOCIATION
of
COUNTIES

440 First St. NW, Washington, DC 20001
202/393-6226

STATEMENT OF

THE HONORABLE KAY BEARD

COMMISSIONER

WAYNE COUNTY, MICHIGAN

ON BEHALF OF

THE NATIONAL ASSOCIATION OF COUNTIES

BEFORE

THE HOUSE EDUCATION AND LABOR COMMITTEE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

CONCERNING

PROPOSED AMENDMENTS TO THE JOB TRAINING PARTNERSHIP ACT

WASHINGTON, D.C.

MAY 21, 1991

THANK YOU FOR THE OPPORTUNITY TO TESTIFY MR. CHAIRMAN. I AM KAY BEARD, COMMISSIONER IN WAYNE COUNTY MICHIGAN AND VICE CHAIR OF THE NATIONAL ASSOCIATION OF COUNTIES * EMPLOYMENT STEERING COMMITTEE. I AM PLEASED TO APPEAR BEFORE THE SUBCOMMITTEE TO PRESENT THE VIEWS OF COUNTY OFFICIALS ON PROPOSED CHANGES TO THE JOB TRAINING PARTNERSHIP ACT. HOWEVER, BEFORE I DO THAT, LET ME COMMEND YOU FOR TAKING OVER AS THE NEW CHAIRMAN OF THE EMPLOYMENT OPPORTUNITIES SUBCOMMITTEE. THE ASSOCIATION HAS MAINTAINED A GOOD WORKING RELATIONSHIP WITH THE SUBCOMMITTEE OVER MANY, MANY, YEARS AND WELCOMES THE OPPORTUNITY TO WORK WITH YOU AS CONGRESS CONSIDERS VARIOUS PROPOSALS TO IMPROVE THE JOB TRAINING DELIVERY SYSTEM.

I ALSO WANT TO COMMEND OUR CONGRESSMAN, BILL FORD, FOR HIS APPOINTMENT AS THE NEW CHAIRMAN OF THE EDUCATION AND LABOR COMMITTEE. WE ARE VERY PROUD OF HIM IN WAYNE COUNTY AND I AM SURE MOST OF HIS CONSTITUENTS WOULD JOIN ME IN EXPRESSING OUR SINCEREST APPRECIATION TO HIM FOR THE FINE JOB HE IS DOING, REPRESENTING THE FIFTEENTH CONGRESSIONAL DISTRICT IN MICHIGAN. I CAN ASSURE YOU HIS LEADERSHIP AND VISION WILL BE A TREMENDOUS

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*ESTABLISHED IN 1935, THE NATIONAL ASSOCIATION OF COUNTIES IS THE ONLY NATIONAL ORGANIZATION REPRESENTING COUNTY GOVERNMENT IN THE UNITED STATES. THROUGH ITS MEMBERSHIP, URBAN, SUBURBAN AND RURAL COUNTIES JOIN TOGETHER TO BUILD EFFECTIVE RESPONSIVE COUNTY GOVERNMENT. THE GOALS OF THE ORGANIZATION ARE TO: IMPROVE COUNTY GOVERNMENT; ACT AS A LIAISON BETWEEN THE NATION'S COUNTIES AND OTHER LEVELS OF GOVERNMENT; ACHIEVE PUBLIC UNDERSTANDING OF THE ROLE OF COUNTIES IN THE FEDERAL SYSTEM.

HELP TO OUR NATION AS WE SEARCH FOR BETTER WAYS TO EDUCATE OUR PEOPLE AND TO IMPROVE THE QUALITY OF OUR WORK FORCE.

I WOULD ALSO BE REMISS IF I DIDN'T COMMEND A GOOD FRIEND OF LOCAL GOVERNMENTS, CONGRESSMAN STEVE GUNDERSON, WHO IS A STRONG ADVOCATE OF LOCAL FLEXIBILITY, AND AN OUTSPOKEN CRITIC AGAINST CREATING ADDITIONAL LAYERS OF BUREAUCRACY AND UNNECESSARY PAPER WORK AND REPORTING REQUIREMENTS.

AS WE TURN TO THE SUBJECT OF THIS HEARING, LET ME SAY UP FRONT THAT NACO RECOGNIZES THE NEED TO MAKE CHANGES IN THE JOB TRAINING PARTNERSHIP ACT AND URGES CONGRESS AND THE ADMINISTRATION TO MOVE QUICKLY IN ADOPTING THE AMENDMENTS NECESSARY TO IMPROVE THE DELIVERY SYSTEM. NUMEROUS REPORTS HAVE BEEN PUBLICIZED RECENTLY THAT CLEARLY DEMONSTRATE THE NEED TO BETTER TARGET SERVICES TO OUR MOST NEEDY RESIDENTS, TO IMPROVE THE QUALITY OF SERVICES PROVIDED TO CLIENTS AND TO IMPROVE FISCAL ACCOUNTABILITY. AS WE HAVE DONE IN THE PAST, WE CONTINUE TO URGE THAT LEGISLATION BE ADOPTED THAT WILL ACHIEVE THESE OBJECTIVES WITHOUT IMPOSING UNNECESSARY ADMINISTRATIVE BURDENS ON THE SERVICE DELIVERY SYSTEM.

DURING THE PAST THREE YEARS, THE GENERAL ACCOUNTING OFFICE, LABOR DEPARTMENT AND THE OFFICE OF THE INSPECTOR GENERAL CONDUCTED A NUMBER OF INVESTIGATIONS INTO THE JTPA PROGRAM. THE

FINDINGS FROM THESE INVESTIGATIONS HAVE FOCUSED ON A NUMBER OF WEAKNESSES IN THE JOB TRAINING DELIVERY SYSTEM. TO CORRECT THESE PROBLEMS, THREE MAJOR PROPOSALS WERE INTRODUCED: A HOUSE BILL (H.R.2039), A SENATE BILL (S. 543) AND THE U.S. DEPARTMENT OF LABOR'S BILL (H.R.2803). EACH BILL TAKES A SLIGHTLY DIFFERENT APPROACH TO ADDRESS THE PROBLEMS.

ALTHOUGH THE ADMINISTRATION WAS SUCCESSFUL IN GETTING MANY OF ITS RECOMENDATIONS ADOPTED IN BOTH BILLS, NO AGREEMENT COULD BE REACHED ON A FINAL COMPROMISE LAST YEAR BECAUSE OF DISAGREEMENTS OVER PROPOSED CHANGES TO THE DISTRIBUTION FORMULA, THE SUMMER YOUTH EMPLOYMENT PROGRAM, CLIENT ELIGIBILITY AND FISCAL ACCOUNTABILITY.

NACO HAS BEEN MONITORING THE PROGRESS OF THESE PROPOSALS FROM THE BEGINNING AND WE HAVE TESTIFIED ON THE IMPACT THEY WOULD HAVE ON THE LOCAL SERVICE DELIVERY SYSTEM. WE HAVE ALSO WORKED VERY CLOSELY WITH CONGRESS AND THE ADMINISTRATION IN THE EARLY STAGES OF DRAFTING LEGISLATION. WHILE THERE WERE SOME PROVISIONS ADOPTED IN THE SENATE PROPOSAL THAT WE DIDN'T LIKE, WE GENERALLY FOUND THE FINAL VERSION ACCEPTABLE. UNFORTUNATELY, A FEW PROVISIONS WERE ADOPTED IN THE FINAL HOUSE VERSION THAT WOULD IMPOSE A NUMBER OF BURDENSOME RESTRICTIONS ON LOCAL PROGRAMS.

WE ARE PLEASED YOU HAVE DECIDED TO TAKE A FRESH LOOK AT SOME OF THESE ISSUES. WE ARE EVEN MORE PLEASED THAT THE

SUBCOMMITTEE HAS DECIDED TO DEVELOP A NEW BIPARTISAN BILL. THE NACO STAFF HAS BEEN MEETING WITH YOUR STAFF AND THE COMMITTEE STAFF AND WE ARE OPTIMISTIC THAT A NEW BILL CAN BE DEVELOPED WITHOUT IMPOSING ONEROUS RESTRICTIONS ON THE DELIVERY SYSTEM. WE HAVE ALSO MET WITH THE LABOR DEPARTMENT ON NUMEROUS OCCASIONS TO COMMENT ON EARLY DRAFTS OF THEIR NEW PROPOSAL. IN GENERAL, WE SUPPORT MANY OF THE CHANGES THEY HAVE DISCUSSED WITH US AND WE ARE ALSO OPTIMISTIC THAT THE FINAL VERSION WILL BE MOSTLY ACCEPTABLE. AS WE SEE IT, CONGRESS AND THE ADMINISTRATION WILL BE A LOT CLOSER THIS YEAR ON THE PROPOSED CHANGES.

THERE ARE A FEW AREAS IN WHICH WE WOULD URGE YOUR FAVORABLE CONSIDERATION AS YOU DEVELOP A NEW BIPARTISAN BILL.

COST CATEGORIES AND LIMITATIONS ON SPENDING

SPENDING LIMITATIONS IS PERHAPS OUR BIGGEST AREA OF CONCERN. SINCE THE ENACTMENT OF JTPA IN 1982, LOCAL SERVICE DELIVERY AREAS HAVE EXPERIENCED A SUBSTANTIAL INCREASE IN ADMINISTRATIVE RESPONSIBILITIES. INCREASED REPORTING, MONITORING, CLIENT FOLLOW UP AND AUDIT REQUIREMENTS HAVE MADE IT CLOSE TO IMPOSSIBLE TO RUN EFFECTIVE PROGRAMS WITH THE LIMITED AMOUNT OF ADMINISTRATION FUNDS. A GOOD ILLUSTRATION OF THIS PROBLEM IS IN MY OWN COUNTY WHERE ONE OF OUR MAIN CONCERNS IS THE INCREASING NUMBER OF FEDERAL AND STATE REVIEWS. DURING THE PAST YEAR, OUR PROGRAM HAS BEEN REVIEWED ON EIGHTEEN DIFFERENT OCCASIONS BY THE GENERAL ACCOUNTING OFFICE, THE US DEPARTMENT OF LABOR, AND THE MICHIGAN DEPARTMENT OF LABOR. LITERALLY, FEDERAL

AND STATE OFFICIALS ARE IN OUR OFFICE ALMOST ON A DAILY BASIS. NEEDLESS TO SAY, THESE REVIEWS REQUIRE A SIGNIFICANT AMOUNT OF STAFF TIME AND COST US A SUBSTANTIAL AMOUNT IN ADMINISTRATIVE DOLLARS.

UNDER CURRENT LAW, SERVICE DELIVERY AREAS ARE REQUIRED TO ACCOUNT FOR ALL EXPENDITURES UNDER THREE CATEGORIES AND A LIMIT IS SET ON THE AMOUNT OF FUNDS THAT MAY BE SPENT IN EACH AREA: 15 PERCENT MAY BE SPENT ON ADMINISTRATIVE ACTIVITIES, 15 PERCENT ON SUPPORT SERVICES AND 70 PERCENT ON TRAINING. UNDER THE PROPOSAL ADOPTED LAST YEAR, LOCAL PROGRAMS WOULD FIRST BE REQUIRED TO CHANGE THE WAY THEY CALCULATE THE LIMITS. INSTEAD OF TAKING A PERCENTAGE OF THEIR GRANT ALLOCATION, THEY WOULD BE LIMITED TO A PERCENTAGE OF THEIR EXPENDITURE. FOR EXAMPLE, LOCAL AREAS RECEIVING A $1 MILLION GRANT UNDER TITLE II A, MAY USE $150,000 FOR ADMINISTRATION. UNDER THE PROPOSAL, THEY WOULD ONLY BE ABLE TO USE A PERCENTAGE OF WHAT THEY SPEND, WHICH WILL NOT BE KNOWN UNTIL THE END OF THE PROGRAM YEAR. THIS WOULD MAKE PLANNING EXTREMELY DIFFICULT, SINCE PROGRAMS WOULD HAVE TO OPERATE BASED ON ESTIMATED EXPENDITURES. IT WOULD ALSO INCREASE THE RISK FOR AUDIT EXCEPTIONS SINCE PROGRAMS WOULDN'T BE ABLE TO DETERMINE IF THEY HAVE EXCEEDED THE LIMIT ON SPENDING UNTIL LONG AFTER THE PROGRAM YEAR ENDS. WE URGE YOUR SUPPORT FOR THE CONTINUED USE OF THE CURRENT METHOD OF CALCULATING LIMITS FOR ADMINISTRATION AND SUPPORT SERVICES BASED ON GRANT ALLOCATIONS.

THE SECOND CONCERN WE HAVE IN THIS AREA IS THAT THE PROPOSAL WOULD CREATE A FOURTH CATEGORY FOR ACCOUNTING PURPOSES.

THIS, IN OUR VIEW, WILL PROVE PROBLEMATIC IN THAT IT WILL INCREASE PAPER WORK AND REPORTING REQUIREMENTS, WITHOUT NECESSARILY IMPROVING ACCOUNTABILITY. THIS CHANGE GOES AGAINST THE RECOMMENDATION OF THE JTPA ADVISORY COMMITTEE, WHICH RECOMMENDED THAT THE ACCOUNTING PROCESS BE SIMPLIFIED BY ESTABLISHING ONLY TWO CATEGORIES. THE FIRST WOULD BE PROGRAM MANAGEMENT, WHICH WOULD INCLUDE ALL ADMINISTRATIVE ACTIVITIES AND BE LIMITED TO 20 PERCENT OF A LOCAL AREA'S ALLOCATION. THE SECOND WOULD BE TRAINING, WHICH WOULD INCLUDE ALL OTHER ACTIVITIES AND BE LIMITED TO 80 PERCENT. THIS WOULD REDUCE PAPER WORK AND REPORTING REQUIREMENTS WITHOUT COMPROMISING ON ACCOUNTABILITY.

WE SUPPORT INCREASING THE CAP ON ADMINISTRATIVE FUNDS FROM 15 PERCENT TO 20 PERCENT AND INCREASING THE CAP ON SUPPORT SERVICES FROM 15 TO 20 PERCENT. THIS CHANGE RECOGNIZES THE INCREASED MANAGEMENT RESPONSIBILITIES REQUIRED OF SERVICES DELIVERY AREAS AND THE ADDITIONAL SUPPORT THEY WILL NEED TO EXPAND ASSISTANCE TO OUR MOST NEEDY CLIENTS.

SUPPORT SERVICES WILL BECOME INCREASINGLY IMPORTANT AS WE MAKE THE TRANSITION TO SERVING A LARGER SHARE OF THE MOST NEEDY INDIVIDUALS. WITHOUT INCREASED SUPPORT FOR TRANSPORTATION, CHILD CARE, MEALS AND OTHER PERSONAL NEEDS, MANY OF THESE CLIENTS WILL NOT BE ABLE TO AVAIL THEMSELVES OF TRAINING. WHILE LINKAGES WITH SOCIAL SERVICE AND EDUCATION AND OTHER JOB TRAINING PROGRAMS WILL HELP TO DEFRAY SOME OF THE COSTS, THE NEEDS AMONG THESE ARE EXPECTED TO FAR EXCEED AVAILABLE RESOURCES.

WHETHER OR NOT CURRENT LAW IS AMENDED TO REDUCE THE NUMBER OF COST CATEGORIES FROM THREE TO TWO, ACTIVITIES CHARGED TO TRAINING UNDER CURRENT REGULATIONS SHOULD CONTINUE TO BE CHARGED TO TRAINING. THESE ACTIVITIES INCLUDE CLIENT ASSESSMENT, JOB SEARCH, COUNSELING, JOB DEVELOPMENT AND PLACEMENT, ALL OF WHICH ARE VITAL TO ENSURING THAT CLIENTS RECEIVE ADEQUATE SERVICES TO FIND EMPLOYMENT AFTER THEY ARE TRAINED.

THERE IS ONE DILEMMA THAT THE NEW LEGISLATION POSES FOR LOCAL PROGRAMS. ON THE ONE HAND WE WILL BE REQUIRED TO SPEND UP TO A CERTAIN AMOUNT OF OUR FUNDS ON TRAINING. ON THE OTHER, WE WILL BE REQUIRED TO ESTABLISH STRONGER LINKAGES WITH RELATED EDUCATION AND JOB TRAINING AGENCIES TO AVOID DUPLICATION AND WASTE. IF WE DO A GOOD JOB ESTABLISHING THESE LINKAGES AND THE AGENCIES AGREE TO PAY FOR EITHER ALL OR A PORTION OF THE COST FOR TRAINING SOME OF OUR CLIENTS, WE MAY FIND IT INCREASINGLY DIFFICULT TO SPEND OUR OWN TRAINING DOLLARS. FOR EXAMPLE, IF WE ESTABLISH LINKAGES WITH VOCATIONAL EDUCATION, THE NEW WELFARE JOBS PROGRAM AND ADULT AND BASIC EDUCATION, IT IS CONCEIVABLE THAT WE MAY SAVE A SUBSTANTIAL AMOUNT IN TRAINING FUNDS. THE PROBLEMS THAT CONCERN US ARE: (1) WE WILL NOT HAVE ENOUGH FUNDS FOR SUPPORT SERVICES AS WE ARE REQUIRED TO EXPAND SERVICES TO THE MOST NEEDY AND (2) UNDER PROPOSED LEGISLATION, WE COULD BE PENALIZED IN THAT THE SECRETARY WOULD BE AUTHORIZED TO REALLOCATE ANY AMOUNT OF FUNDS THAT CAN NOT BE SPENT IN A REASONABLE TIME FRAME.

ALTHOUGH WE UNDERSTAND THE NEED TO ESTABLISH SOME CONTROL OVER SPENDING, IT IS UNFORTUNATE THAT THE LAW PLACES MORE EMPHASIS ON MAKING SURE THAT A CERTAIN AMOUNT IS SPENT ON TRAINING THAN ON MAKING SURE THAT CLIENTS GET THE SERVICES THEY NEED TO PREPARE FOR GOOD PAYING JOBS. TO ENSURE THAT FUNDS ARE EXPENDED IN THE MOST EFFICIENT WAY, WE URGE YOU TO CONSIDER ADOPTING AN INCENTIVE SYSTEM THAT WOULD WAIVE THE COST LIMITATIONS FOR PROGRAMS THAT EXPEND THEIR FUNDS IN AN EFFICIENT AND EFFECTIVE WAY BY COORDINATING WITH OTHER RELATED EDUCATION AND JOB TRAINING PROGRAMS IN THE SERVICE DELIVERY AREA.

FISCAL INTEGRITY

BASED ON PUBLISHED REPORTS BY THE LABOR DEPARTMENT, THE INSPECTOR GENERAL AND THE GOVERNMENT ACCOUNTING OFFICE, IT IS CLEAR THAT SOME CHANGES NEED TO BE ADOPTED TO IMPROVE FISCAL ACCOUNTABILITY OF THE JTPA SYSTEM. MANY OF THE PROBLEMS EMERGED DUE TO THE LACK OF EARLY FEDERAL GUIDANCE ON PROCUREMENT, ACCOUNTING PRACTICES AND THE USE OF REVENUES EARNED FROM PROGRAM ACTIVITIES. HOWEVER, WE BELIEVE THE POLICY GUIDANCE LETTER ISSUED BY THE LABOR DEPARTMENT IN MARCH 1989 HAS CORRECTED MANY OF THESE PROBLEMS. BY ISSUING THIS LETTER, DOL SET IN PLACE PROCUREMENT STANDARDS, REIMBURSEMENT PROCEDURES AND GUIDELINES ON THE USE OF REVENUES EARNED FROM PROGRAM ACTIVITIES.

TO FURTHER ENSURE THE FISCAL INTEGRITY OF THE SYSTEM, NACO BELIEVES THAT EACH STATE, IN COOPERATION WITH LOCAL PROGRAMS, SHOULD ESTABLISH FISCAL CONTROL, ACCOUNTING, CERTIFICATION AND

MONITORING PROCEDURES THAT COMPLY WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. WE WOULD ALSO URGE THE ADOPTION OF STRONGER RULES TO GOVERN FINANCIAL MANAGEMENT PRACTICE, STRONGER ACCOUNTABILITY STATEMENTS AND CLEAR DEFINITIONS OF SUCH TERMS AS "REASONABLE AND NECESSARY" COSTS AND PROFITS SO THAT LOCAL AREAS WILL KNOW PRECISELY WHAT IS EXPECTED OF THEM.

PROGRAM DESIGN

IN GENERAL WE ARE SUPPORTIVE OF MANY OF THE PROPOSED CHANGES IN THE PROGRAM DESIGN SECTION. WE BELIEVE CHANGES THAT WOULD BETTER ENSURE THE ASSESSMENT OF CLIENT NEEDS AND THE PROVISION OF BASIC AND REMEDIAL EDUCATION AS NEEDED, ARE STEPS IN THE RIGHT DIRECTION. HOWEVER, WE URGE YOU TO AVOID THE ADOPTION OF OVERLY PRESCRIPTIVE MANDATES THAT DICTATE SPECIFICALLY HOW LOCAL PROGRAMS MUST BE DESIGNED. PARTICULARLY, YOU SHOULD AVOID CHANGES THAT WOULD PLACE UNNECESSARY RESTRICTIONS ON WHEN JOB SEARCH AND JOB PLACEMENT ASSISTANCE CAN BE PROVIDED. WHILE WE AGREE THAT JTPA SHOULD FOCUS ON PROVIDING EDUCATIONAL AND REMEDIAL ACTIVITIES AND THAT JOB SEARCH ASSISTANCE SHOULD BE DISCOURAGED WHEN OFFERED INDEPENDENTLY, WE MUST BE SENSITIVE TO THE NEEDS OF CLIENTS. FOR THOSE WHO FIND THEMSELVES IN A PREDICAMENT WHERE THEY NEED A JOB, LOCAL PROGRAMS SHOULD HAVE THE FLEXIBILITY TO SERVE THEM, PROVIDED NO OTHER AGENCY IN THE AREA IS ABLE TO ASSIST THEM.

ON-THE-JOB TRAINING

WE ACKNOWLEDGED THAT THERE HAVE BEEN CASES OF EXCESSIVE USE OF ON-THE-JOB TRAINING CONTRACTS IN THE PAST. TO ADDRESS THIS PROBLEM, NACO SUPPORTS PROPOSED LEGISLATION THAT WOULD LIMIT OJT TO SIX MONTHS. HOWEVER, WE WOULD URGE THAT GOVERNORS BE AUTHORIZED TO GRANT WAIVERS FOR LONGER PERIODS UNDER JUSTIFIABLE CIRCUMSTANCES. WE WOULD ALSO URGE THAT LOCAL DISCRETION BE MAINTAINED IN DETERMINING THE LENGTH OF TRAINING IN OJT CONTRACTS, PROVIDED IT IS BASED ON CLIENT ASSESSMENT, EMPLOYABILITY PLANS AND TRAINING REFERENCES SUCH AS THE DICTIONARY OF OCCUPATIONAL TITLES.

WE ALSO URGE THE CONTINUATION OF BROKERED OJT (WHEN THE SDA USES A THIRD PARTY TO ARRANGE ON-THE-JOB TRAINING FOR PARTICIPANTS). MANY OF THE PROBLEMS IDENTIFIED IN THIS AREA HAVE BEEN CORRECTED BY DOL'S 1989 POLICY LETTER. ACCORDING TO A RECENT SURVEY CONDUCTED BY NACO, SERVICE DELIVERY AREAS HAVE DEVELOPED GUIDELINES AND INCREASED MONITORING OF OJT CONTRACTS, INCREASED THE USE OF THE DICTIONARY OF OCCUPATIONAL TRAINING AS A GUIDE IN DETERMINING THE LENGTH OF OJT CONTRACTS, AND REDIRECTED THE NUMBER OF OJT CLIENTS WITH PRIOR WORK EXPERIENCE IN THE AREA FOR WHICH TRAINING IS PROVIDED. BROKERED OJT IS PARTICULARLY USEFUL IN RURAL AREAS WHERE TRANSPORTATION AND CLIENT ACCESSIBILITY MAY LIMIT OUR ABILITY TO ASSIST ELIGIBLE CLIENTS.

CLIENT ELIGIBILITY

BASED ON THE LATEST ESTIMATES, LESS THAN THREE PERCENT OF THE ELIGIBLE CLIENT POPULATION ARE CURRENTLY BEING SERVED UNDER

JTPA. WITH SUCH LIMITED RESOURCES, WE CAN EASILY UNDERSTAND THE NEED TO TARGET SERVICES TO THE MOST NEEDY. HOWEVER, WE WOULD URGE THAT TARGETING FOCUS ON SKILL DEFICIENCIES RATHER THAN POPULATION CHARACTERISTICS. WE SUPPORT CHANGES THAT WOULD GIVE PRIORITY FOR SERVICES TO ECONOMICALLY DISADVANTAGED INDIVIDUALS WHO EXHIBIT SKILL DEFICIENCIES, HAVE POOR WORK HABITS AND HAVE LIMITED ENGLISH LANGUAGE PROFICIENCY. TO ENSURE FLEXIBILITY, WE WOULD FURTHER URGE THAT LOCAL AREAS BE PERMITTED TO TARGET ADDITIONAL GROUPS IN THEIR AREA, SO LONG AS SUCH GROUPS ARE IDENTIFIED IN THE PLAN AND APPROVED BY THE STATE.

SUMMER YOUTH

ON THE QUESTION OF COMBINING THE TITLE II B SUMMER YOUTH PROGRAM WITH OTHER YOUTH ACTIVITIES PROVIDED UNDER TITLE II A, WE SUPPORT THE CONTINUATION OF A SEPARATE SUMMER YOUTH TITLE. LOCAL SERVICE DELIVERY AREAS NOW HAVE THE FLEXIBILITY TO COORDINATE ACTIVITIES PROVIDED UNDER THIS PROGRAM WITH IN-SCHOOL AND OTHER YOUTH ACTIVITIES. IN MANY CASES, THEY HAVE ALREADY ESTABLISHED REMEDIAL COMPONENTS WHICH HAVE PROVEN TO BE SUCCESSFUL IN HELPING PARTICIPANTS TO RETAIN WHAT THEY LEARNED DURING THE REGULAR SCHOOL YEAR.

BECAUSE SO MANY ECONOMICALLY DISADVANTAGED YOUTHS DEPEND ON THIS PROGRAM FOR WORK EXPERIENCE, FOR DEVELOPMENT OF GOOD WORK HABITS AND FOR INCOME, IT SHOULD NOT BE ELIMINATED OR RESTRICTED ONLY TO IN-SCHOOL YOUTH.

MR. CHAIRMAN, WE HAVE A FEW OTHER ISSUES WHICH I WILL NOT MENTION IN MY ORAL COMMENTS BUT WE HAVE ATTACHED A COMPLETE COPY OF OUR POLICY PAPER AND RESOLUTION ON THE JTPA AMENDMENTS FOR THE RECORD. IN CONCLUSION, WE LOOK FORWARD TO CONTINOUSLY WORKING WITH YOU AS YOU DEVELOP THE NEW BIPARTISAN BILL AND WE STAND READY TO ASSIST YOU IN ANY WAY WE CAN TO ENSURE ITS APPROVAL. AGAIN, THANK YOU FOR THE OPPORTUNITY TO TESTIFY. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS AT THE APPROPRIATE TIME.

5/14/91

SUMMARY

JOB TRAINING FOR THE FUTURE

This paper represents the views of the National Association of Counties on issues surrounding proposed changes to the Job Training Partnership Act (JTPA), which provides federal assistance to states and localities to assist economically disadvantaged individuals with training and job placement. Since the enactment of JTPA in 1982, a number of reports have been published by the General Accounting Office, the U.S. Department of Labor, and the Office of the Inspector General at the U.S. Department of Labor. These reports have focused on certain weaknesses in the delivery system of the program. During the past three years, Congress and the Administration have been trying to drum up support for three separate proposals to address these weaknesses. While the primary objectives behind each bill are: to improve targeting of services to the most needy, to improve the quality of services to clients and to improve fiscal accountability, each proposal takes a different approach to address these issues.

In developing this paper, NACo's Employment Steering Committee (ESC), which is comprised mostly of elected officials, and the Training and Employment Professionals (NACTEP), an affiliate which is comprised mostly of job training administrators, reviewed each proposal and singled out those issues which they felt were most important to county service delivery areas. To prepare for this undertaking, the leadership of the ESC and NACTEP met for two days in March 1991. At the meeting, they were briefed by Hill staff on the status of the proposals. They then considered the pros and cons of each issue before agreeing on policy recommendations. The recommendations that came out of the joint leadership meeting were further discussed and debated at the full meeting of both groups before being adopted as final policy.

The National Association of Counties recognizes the need to make changes in JTPA and urges Congress to move quickly to enact amendments that will expand and improve the quality of job training services for those who are most in need, and improve fiscal accountability. This paper identifies eight key areas of concern to county officials involved in the delivery of job training services under the Job Training Partnership Act. The areas include: program design, cost categories and limitations on spending, fiscal integrity, client eligibility, summer youth employment and training programs, program set-asides, on-the-job training (OJT), and the sunset (expiration date) provision. A summary of NACo's policy and supporting rationale on each issue follows.

PROGRAM DESIGN

Proposed changes, that would better ensure the assessment of client needs and the provision of basic and occupational training and supportive services, are commendable. However, Congress should avoid adopting overly prescriptive mandates that specifically dictate how local programs must be designed. Overly prescriptive mandates will hamper the local decision making process in designing programs to meet the unique needs of local clients. Programs should be designed with the overall needs of clients in focus, which should be the determining factor in assigning costs.

COST CATEGORIES AND LIMITATIONS ON SPENDING

The current 15 percent limitation on administrative costs is inadequate, considering the increased fiscal burdens placed on local programs by increased reporting, management, client follow-up and audit requirements. NACo supports raising the limitation to 20 percent of the funds available to service delivery areas. Limitations on categorical expenditures should be structured so that effective job training and support services may be provided to participants. Ideally, two cost categories should be established: management (20 percent of available funds) and training (80 percent of available funds). If two categories are not adopted, activities charged to training under current law and regulations must be maintained, with the exception that all costs related to work experience and counseling should be charged to training.

FISCAL INTEGRITY

The need to improve fiscal integrity of the JTPA program is evidenced in numerous reports published over the past few years. Efforts by the Department of Labor and the Office of the Inspector General to ensure fiscal integrity among JTPA programs should focus on the adoption and implementation of stronger rules and accountability statements and on defining such terms as "reasonable and necessary" costs and profits. Fixed unit price contracts, as defined in DOL's March 1989 policy guidance letter, should be maintained. Problems identified in this area, due largely to the lack of federal guidance on procurements and the use of excess revenues, have been addressed in the March 1989 guidance.

CLIENT ELIGIBILITY

With limited resources in JTPA, NACo recognizes the need to give priority for services to those who are most in need. Legislation should be enacted that would give priority for services to economically disadvantaged individuals who exhibit skill deficiencies, have poor work histories and have limited English language proficiency, although no specific percentages should be assigned to any of these characteristics. Moreover, local job training programs should be permitted to target services to specific groups designated by local officials. In addition, support is also urged for increasing from 10 to 15 percent the eligibility window (the ability to serve individuals with barriers to employment who are not economically disadvantaged) for adult and youth Title IIA participants.

SUMMER YOUTH EMPLOYMENT AND TRAINING PROGRAM

A separate summer youth title is imperative and must be retained. SDA's should retain the authority to combine the summer youth program with in-school and other youth activities under JTPA to address the employment and training needs of youth in a comprehensive manner.

PROGRAM SET-ASIDES

As SDAs are required to target services to the most needy, Congress must recognize the need for additional funds to pay the higher cost associated with training those with greater needs. To increase the percentage of funds available to local service delivery areas, funds set aside in the state allotment for older workers and education programs should be passed from the states to service delivery areas for coordination grants. These grants should be awarded by SDAs, according to distribution formulas determined by local officials, to local education agencies, veterans organizations, unions and community-based organizations. The 6 percent set-aside for incentive grants is an effective way of encouraging improved performance and must be maintained as written under current law.

ON-THE -JOB-TRAINING

Due to the lack of guidance in on-the-job training (OJT), the length of OJT contracts have been excessive in some cases. To address this problem, NACo supports limiting OJT to 6 months. To run effective OJT programs, local discretion in determining the length of training for each participant should be based on client assessments, employability plans and references, such as the Dictionary of Occupational Titles. Brokered OJTs (when the SDA uses a third party to arrange on-the-job training for participants) should be maintained.

SUNSET PROVISIONS

JTPA's permanent authorization must be maintained. The need tor job training services will exist as long as there are economically disadvantaged individuals. To deny them access to training and job placements will prolong their dependency on federal entitlement and other welfare programs.

NACo believes that any changes to JTPA must be done with great care to ensure that the needs of the nation's economically disadvantaged population continue to be met. As technology advances and labor markets change, our capacity to shape a productive and creative workforce will become increasingly important. JTPA is and will be the preeminent tool for properly training the nation's economically disadvantaged to be part of the workforce of tomorrow. Congress and the Administration must continue to provide states and local areas the fiscal and programmatic tools to respond to the ongoing employment and training needs of our nation's poor.

Job Training for the Future

A Joint Policy Paper of the National Association of Counties
Employment Steering Committee
and the
National Association of County Training and Employment Professionals

Introduction

During 1991, Congress and the U.S. Department of Labor (DOL) are expected to seriously consider amendments to the Job Training Partnership Act (JTPA). This "white paper" presents the views of county elected officials and administrators in the job training community. It was developed by the National Association of County Training and Employment Professionals (NACTEP) and the National Association of Counties (NACo) Employment Steering Committee (ESC). It represents the consensus view of some of the most active job training administrators and local elected officials within the job training community.

OVERVIEW

Since passed into law in 1982, JTPA has been the preeminent federally sponsored second chance job training program for the nation's economically disadvantaged. Over the past eight years locally operated JTPA programs have trained between 750,000 and 1 million persons each year in various occupations. For some individuals, JTPA has meant the difference between dependence and independence. For others, the training has enabled them to build self-esteem by becoming meaningful contributors to society.

Since 1988, numerous efforts have been undertaken to amend JTPA. During the 101st Congress these efforts culminated in the passage of amendments in the Senate and House of Representatives. But Congress was unable to reach agreement on a compromise bill, and consequently, final amendments were never adopted. Now that the first session of the 102nd Congress is well under way, momentum is building to consider again JTPA reforms .

NACo supports legislative and administrative efforts to improve JTPA. County officials believe that periodic changes are necessary if local job training programs are to remain responsive to the job training needs of clients, the employment needs of business, and the community needs of elected officials.

Job training for the nation's poor and under-skilled is critical to American competitiveness in hemisphere and world markets. A well trained workforce is necessary if the United States is to remain an economic leader. Two things are certain: (1) no one benefits from an under-skilled and under-utilized workforce and (2) productivity and creativity in the workplace must be encouraged if we are to maintain the current American standard of living.

POLICY ISSUES AND RECOMMENDATIONS

This paper identifies eight issue areas that county officials believe are important and NACo urges DOL and Congress to keep them in mind as various proposals are considered for changing JTPA. They are program design, cost categories and limitations on spending, fiscal integrity, client eligibility, the summer youth employment and training program, program set-asides, on-the-job training, and the sunset provision. Policy recommendations are presented for each, followed by supporting rationale.

I. PROGRAM DESIGN

Programs should be designed with the overall needs of clients in focus, which should be the determining factor in assigning costs to various categories.

NACo supports proposed changes that would better ensure the assessment of client needs and the provision of basic, remedial and occupational training,and support services as needed. However, overly prescriptive mandates that specifically dictate how programs must be designed, should be avoided. This approach will severely hamper local flexibility in making decisions about the ways in which program services should be delivered. Overly prescriptive program designs may force service delivery areas (SDAs) to expend funds and provide services that do not benefit participants. SDAs should be granted the flexibility to transfer funds between their adult and youth programs to increase the overall effectiveness of job training services.

SDAs have responded positively to DOL's request that job training programs be enhanced to ensure that clients receive the broad range of services necessary for becoming productive workers. However, the needs of clients vary from SDA to SDA. Efforts to impose specific program designs on SDAs may negatively impact client participation by reducing a person's willingness or ability to remain in the program. Recommendations that job training programs emphasize educational and remedial activities and discourage job search assistance when offered independently of other services are appropriate. However, requirements that specific program designs be followed are inappropriate given the diversity among SDAs.

For example, efforts to eliminate job search assistance services may result in the inability of SDAs to serve the category of people who cannot afford to remain in job training due to financial emergencies, but who need assistance. Failure to assist these people may deny them access to the job market. For many clients, a job is a more practical alternative to training.

In the past, local officials have been able to design training programs that met the specific needs of clients and employers, alike. Because local officials are in the best position to know the needs of clients and the business community, they should retain the flexibility to design their programs accordingly.

II. COST CATEGORIES AND LIMITATIONS ON SPENDING

Current expenditure limitations should be structured so that effective job training and support services may be provided to participants.

Increased reporting, management, client follow-up and audit requirements have placed additional fiscal burdens on local job training programs. The current administrative cost limitation of 15 percent is inadequate to meet these increased requirements and their related costs. To address this problem, the limit on administrative expenditure percent should be raised from 15 to 20 percent. Moreover, the amount of administrative management dollars available in any program year should be based on the local job training program's allocation and not on its expenditure level.

Current law establishes three cost categories (administration, supportive services and training) for all JTPA Title II programs. However, it should be amended to include two cost categories. The first, management, should include those expenditures now classified as administration; the second, training, should include all other expenditures.

Whether or not current law is amended to reduce cost categories from three to two, client assessment activities should be classified as a training activity. Current regulations, which permit assessment, job search, counseling, job development and placement activities to be charged to training, must be *maintained to ensure that participants receive appropriate education, job training and related assistance.*

The law should be amended to allow 100 percent of work experience and counseling costs to be charged to training.

A. Administrative Costs

The law allows SDAs to expend up to 15 percent of each year's allocation on administrative activities. These activities cover programmatic and fiscal responsibilities mandated by JTPA, but not those directly related to the provision of training. NACo believes that the administrative cost limitation must be raised from 15 to 20 percent to ensure that programmatic and fiscal responsibilities are met, such as those required by recent changes to JTPA Annual Status Report (JASR).

B. Supportive Services Costs

The law allows SDAs to expend 15 percent of funds for supportive services. Supportive services include needs-based payments and other assistance designed to help clients meet financial obligations while in training. SDAs may provide financial assistance to clients for transportation to and from training, meals, day care services, or other needs that might prevent clients from remaining in the job training program. Under current law SDAs may expend more than 15 percent on supportive services, without requesting special waivers from governors, if the total expenditure for administration and support does not exceed 30 percent. However, recent DOL initiatives have underscored the need to provide clients longer term, enhanced job training assistance. SDAs have attempted to respond by providing enhanced, long-term job training, but they must be given authority to use more funds for support services as they serve more clients with greater need. Therefore, NACo urges that the limit on supportive services expenditures be increased from 15 to 20 percent and the limit on joint administrative and supportive services expenditures be increased from 30 to 40 percent. Use of supportive services resources in this manner is critical if local programs are to move successfully to longer term, enhanced job training for harder-to-serve clients.

C. Cost Category Calculations

Current law permits a local job training program to use up to 15 percent of its annual grant on administrative activities. Such an approach allows service delivery areas to determine the amount of funds available for administration. SDAs can plan for administrative activities based on a predetermined amount. Efforts to amend current law so that administration expenditures are based on a percentage of actual annual costs will add a substantial amount of uncertainty to the planning process.

Moreover, current law prohibits SDAs from altering the "character" of the funds. Once funds have been allocated to a specific cost category they must retain that character even if they are carried over to the next program year. Thus, training funds which are unexpended during one program year may not be rolled into the total grant against which administrative, supportive and training funds are allocated. These funds must be carried forward as training funds and spent as such.

D. Cost Category Changes

Efforts to increase the number of cost categories from three to four (administration, support, training and training-related services) will prove burdensome and problematic. Increased regulation, additional accounting and financial management, and decreased client assistance will be the consequences of this change. Efforts to reform the cost category system should focus on simplification. The Job Training Partnership Act Advisory Committee noted that two principle activities dominate the job training system. The first, program management, includes all administrative activities. The second, services, includes all those activities directed at the clients. Establishment of two categories (management and services) would enable SDAs to allocate funds more efficiently and ensure that funds are available to meet the broad range of job training services that local programs are required to provide.

Furthermore, cost categories effectively direct SDAs on how to expend their funds by encouraging them to spend up to the mandated limit. In other words, cost categories guarantee that a specific amount of money will be spent regardless of whether or not it is in the best interest of the local program and its clients. Specifically, 15 percent is spent for program administration, 15 percent for support services, and 70 percent for training (61 percent for training and 9 percent for training-related services, if the proposal to establish four cost categories is adopted). To ensure that funds are expended in an efficient and effective way, NACo urges Congress and DOL to consider a system of incentives that would waive the limitations on categories for job training programs that expend their funds in the most efficient and effective way by coordinating their training activities with community colleges, Pell Grant institutions, welfare and economic development agencies and other federal, state and local programs.

Finally, NACo recommends that JTPA's Title III cost categories be amended to reflect those used in Title II and that the cost categories in Title III be based on allocation, rather than expenditure, as provided in current law.

E. Work Experience

Work experience is a training function. It is an important and valuable job training tool. It enables SDAs to provide clients valuable job site experience, which, when based on a system of competencies, provides clients, especially those with limited or no work experience, with job-related and workplace skills. It has been shown to be a very valuable training tool for dropouts who may reject classroom training but are willing to accept training at a work site for which they are paid.

III. FISCAL INTEGRITY

A. Fixed Unit Price Contracts

Performance-based contracting should be maintained.

Problems identified earlier in fixed unit price contracting, due largely to a lack of federal or state guidance in procurements and the use of excess revenues, have been addressed by DOL's March 1989 policy guidance letter. It promulgated procurement standards, FUPC reimbursement procedures and guidelines for the use of excess revenues. These corrective actions should be adopted, implemented and their effectiveness evaluated to address the concerns of the Inspector General.

The elimination of FUPC as a contracting method would eliminate an important contracting tool used by SDAs to ensure contractor compliance. Fixed unit price contracts enable SDAs to deny payments to contractors when they fail to achieve the training and job placement goals required by their contract.

Congress and DOL have expressed some concerns over the use of FUPC. However, the U.S. Department of Labor, in keeping with its ongoing efforts to improve the system's contracting and procurement procedures, has proposed a set of guidelines to permit the continued use of FUPC and ensure that fiscal integrity be maintained.

B. Fiscal Management

To ensure the fiscal integrity of the job training system, NACo urges the adoption and implementation of stronger rules governing financial management, stronger accountability statements and clear definitions of terms such as "reasonable and necessary" costs and profits.

Appropriate fiscal management of local JTPA programs is a principle concern for job training administrators. Nothing can do more harm to the job training system than allegations of improper fiscal management.

A hallmark of the nation's job training system has been the ability of states and SDAs to adopt fiscal management, procurement and cost determination systems that fit the specific needs and requirements of the state or local jurisdiction. However, questions have arisen about the appropriateness of these varied, locally based fiscal management systems. The Inspector General, in particular, has raised significant questions about their appropriateness.

Various amendments to the Job Training Partnership Act have been proposed to address this issue. NACo supports amendments that would maintain the system's high level of fiscal integrity through the use of generally accepted accounting principles for government. Because of the diversity in state and local approaches to fiscal management, and the lack of clarity from DOL on the type of fiscal management system it would prefer, concerns have been raised about validating the overall fiscal integrity of the job training system. However, much of this concern results from problems experienced by the Inspector General in adjusting audits to fit various state and local fiscal management systems.

The fiscal management system should not be adjusted to satisfy the needs of auditors. However, NACo believes that stronger rules, stronger accountability requirements and stronger conflict of interest guidelines would enable SDAs and states to modify their local fiscal management systems so that fiscal integrity is maintained. Each state, in cooperation with local job training programs, should establish fiscal control, accounting, certification and monitoring procedures that are in accordance with government generally accepted accounting principles.

IV. CLIENT ELIGIBILITY

People who are economically disadvantaged should continue to be eligible to receive services under JTPA.

With limited resources in JTPA, NACo recognizes the need to give priority for services to those who are most in need. Legislation should be enacted that would give priority for services to economically disadvantaged individuals who exhibit skills deficiencies, have poor work histories and have limited English language proficiency, although specific percentages should not be assigned to any of these characteristics. Moreover, local job training programs should be permitted to target services to specific groups designated by local officials so long as such groups are identified in the local job training plan and approved by the state. To reduce paperwork at the service delivery level, people receiving Aid to Families with Dependent Children (AFDC) and other transfer payments should be automatically eligible to receive JTPA services.

Support is also urged for increasing from 10 to 15 percent the eligibility window for adult and youth Title IIA participants who are not economically disadvantaged but have significant barriers to employment.

Legislation has been proposed to limit eligibility to certain economically disadvantaged individuals based on personal characteristics. Efforts to segregate economically disadvantaged people into groups based on levels of need deny the reality that all economically disadvantaged persons are in substantial need and should be able to avail themselves of the job training services provided by JTPA programs. Targeting of services should be based on the skills deficiencies rather than population characteristics. Consideration should be given to lack of job skills, education and work experience rather than whether or not participants are unemployed, disabled or exhibit other characteristics, since skills deficiencies prohibit individuals from becoming economically self-sufficient.

Many youth who are poor, but who do not meet the JTPA economically disadvantaged criteria, are at considerable risk of dropping out of school. The overwhelming number of dropouts within minority communities demonstrates the severity of this problem. To expand assistance to these individuals, the eligibility window should be increased from 10 to 15 percent.

V. SUMMER YOUTH EMPLOYMENT AND TRAINING PROGRAM

A separate summer youth title is imperative and must be retained. SDAs should retain the authority to combine the summer youth program with in-school and other youth activities under JTPA to address the employment and training needs of youth in a more comprehensive manner.

Eligibility under Title IIB should be open to all economically disadvantaged youths, regardless of school status. Priority should be given to youths with basic and vocational skills deficiencies, school dropouts, teen parents and others with barriers to employment. Local flexibility should also be retained in determining services for at risk youth, because their needs must be addressed through a variety of programs.

Continuation of the summer youth employment and training program is crucial to the overall success of JTPA. Many economically disadvantaged youths may not be in need of specific job training services or in need of a year-round program, but may be in need of the financial assistance a summer job provides in order to stay in school. Evaluators have pointed to the success of summer youth programs that include remedial components. Youth participating in those programs generally return to school with little or no academic slippage; some actually show academic gains. During a period when dropout rates are increasing and when economic safety nets are decreasing, the elimination of the summer youth employment and training program may mean that many economically disadvantaged youths will be unable to obtain summer employment, to realize the benefits of summer work experience including involvement in productive activities, or to have the financial assistance they and their families need.

VI. PROGRAM SET-ASIDES

To increase the percentage of funds available to local SDAs, funds currently set aside in the state allotment for older workers and education should be passed through to SDAs for coordination grants.

These coordination grants should be awarded by SDAs, according to distribution formulas determined by local officials, to local education agencies, veterans organizations, unions and community-based organizations. These grants should be administered in accordance with a plan developed by local officials and should be used to provide direct services to clients. The specific purpose of these grants should be to improve services to clients and relationships among SDAs and the organizations.

The 6 percent set-aside for incentive grants must be maintained with an amendment that calls for not less than one-sixth of such funds to be passed through by formula to the SDAs and used for capacity building.

Efforts by the Congress and DOL to further target services to those considered most in need and to enhance the quality of job training services will lead, generally, to increased expenditures per client. Therefore, SDAs will need additional funds to maintain current service levels. By eliminating certain set-asides, more funds could be made available to SDAs. This would enable SDAs to reward those organizations that coordinated their services with JTPA and increase the overall funds available for program implementation so long as the services provided are in conformance with Title II performance criteria.

The 6 percent incentive grants awarded to SDAs for performance is targeted at the hardest-to-serve clients. To continue to meet the goals and objectives of Congress and the Administration in training the hardest to serve, this set-aside should continue.

VII. ON-THE-JOB TRAINING

To run an effective on-the-job training program, local discretion to determine the length of training should be based on client assessment, employability plans and references such as the (DOT/SVP). To address the problem of excessive use of OJT, NACo supports limiting OJT to six months. However, the governor should be granted the authority to grant a waiver under justifiable circumstances.

Brokered OJTs, provided by a third party, should be maintained because they represent an important component of the JTPA training program. However, appropriate limitations should be placed on brokered OJTs, such as the length of a contract, the structure of the contract and the contents of that contract.

On-the-job training, overall, is a very important training tool. Not only does it ensure that an individual receives an income while in training, but it provides him or her with work-based learning, which has received considerable favor by experts in employment and training. Brokered OJTs are particularly useful in rural areas where travel and client accessibility may severely limit a service delivery area's ability to assist an eligible client. Similarly, individuals who are part of a specific target group may be unwilling to obtain job training assistance, in general, from the local job training program because they are not convinced that the SDA is capable of addressing their specific needs. Examples of such groups are ex-offenders and recent immigrants. In both instances these groups are not likely to trust individuals who do not share a common background or heritage.

VIII. SUNSET PROVISION

Permanent authorization for the Job Training Partnership Act must be maintained. A sunset provision for JTPA is ill conceived.

The Job Training Partnership Act is an integral part of the nation's training and employment system. It is the preeminent provider of training and employment assistance to the nation's economically disadvantaged population. Their need for the services is permanent and ongoing. To deny economically disadvantaged individuals access to training and job placements will prolong their dependency on federal entitlements and other welfare programs.

Some people have suggested that a sunset provision would result in constant congressional review and improvement of the JTPA system. However, congressional review of the program has taken place on numerous occasions since it became law in 1982. The inherent danger in a sunset provision is that Congress may pass any legislation it deems appropriate, simply to ensure the program's reauthorization without regard to the implications of the legislation.

CONCLUSIONS

NACo feels very strongly that reforms to JTPA must be done with great care. The reason has less to do with the perpetuation of the JTPA system, and more to do with the continued availability of this program for the nation's economically disadvantaged and under-skilled. As we move through the last decade of the Twentieth century, the preeminent economic position of the United States is being severely challenged by Germany and Japan. As the U.S. manufacturing base shrinks, those of Germany and Japan are expected to grow. As American productivity declines, that of Japan and Germany is expected to increase. And as our ability to compete on world markets diminishes, that of Germany and Japan is expected to be enhanced.

Increasingly, we hear about the failure of our schools to properly educate our youth, about the inability of the vocational education system to properly train our young people for the work world, and about the lack of school to work transition programs. We also hear about the presence of very effective school-to-work transition programs throughout Europe and Japan and about a sophisticated vocational education system in Europe and Japan based on the premise that not everyone will go to college, and that those who do not should be brought into an apprentice-type program. If we are to retain our current standard of living, we must confront these and related problems.

The Job Training Partnership Act is a second chance program that gives people the work-place skills they lack and helps them to become productive citizens and become rather than individuals dependent on welfare and other transfer payments. With the help of Congress and the DOL, JTPA programs can be improved to play a fundamental role in the nation's effort to maintain a viable national and global economy.

EMPLOYMENT STEERING COMMITTEE

RESOLUTION ON JTPA AMENDMENTS OF 1991

WHEREAS, the National Association of Counties supports improvements in the Job Training Partnership Act (JTPA) that will expand services to those most in need in local communities across the nation; and

WHEREAS, Congress and the Administration are considering significant changes in the Job Training Partnership Act to better target funds to those most in need (e.g. school dropouts, teen parents, long term welfare clients, those deficient in reading and math skills and older workers); and

WHEREAS, such changes would significantly impact the amount of funds that may be authorized; local flexibility in the implementation of a separate youth program; equitable distribution of funds to rural, suburban and urban areas; performance standards for client outcomes; client eligibility; composition of the private industry council; demonstration grants; and performance-based contracts in local service delivery areas:

THEREFORE, BE IT RESOLVED that the National Association of Counties urges Congress to enact legislation which expands and improves the quality of job training for those who are most in need; and

BE IT FURTHER RESOLVED that the National Association of Counties urges Congress and the Administration to support the following principles in developing amendments to the Job Training Partnership Act.

1. Authorization of Funds

No maximum limit should be set on the authorization of funds. Congress must recognize the need for additional funds to pay the higher costs associated with training those with greater needs. As such, additional funds must be made available to sustain, at the very least, current client service levels for all JTPA programs.

2. **Linkages**

To assure the maximum utilization of funds and provide the most effective services to clients, all federally assisted job training programs should be required to establish appropriate linkages at the local level.

3. Program Design

Efforts to mandate specific job training designs will severely hamper local officials ability to make decisions about the ways in which services should be delivered. Overly prescriptive program designs may force service delivery areas to expend funds and provide services which do not benefit their participants. And the inability of local programs to transfer funds between adult and youth programs will reduce the overall effectiveness of job training services. Programs should be designed with the overall needs of clients in focus, which should be the determining factor in assigning costs.

4. Cost Categories and Limitations on Spending

Expenditure limitations should be structured so that effective job training and support services may be provided to participants based on needs. Increased reporting, management, client follow-up and audit requirements have placed increased fiscal burdens on local job training programs. The current administrative cost limitation of 15 percent is inadequate to meet these increased requirements . To address this problem, the limit on administrative cost should be raised to 20 percent. Moreover, the amount of administrative dollars available in any program year should be based upon the service delivery area's allocation and not on its expenditure level.

Current law establishes three cost categories -- administration, support and training -- for all JTPA Title II programs. However, current law should be amended to require only two cost categories for all Title II and Title III programs. The first, management, should include those expenditures now classified as administration; the second, training, should include all other expenditures. And these categories should be used to test the negotiated prices of fixed unit price contracts.

Legislation and regulation which permit client assessment, job search, counseling, job development and placement activities to be charged to training must be maintained in order to insure that participants receive appropriate education, job training and related assistance.

NACo also supports amending JTPA to permit 100 percent of work experience and counseling to be charged to training. Further, local program officials should be permitted to charge the same activities to training as permitted under other federally supported employment and training programs.

5. Summer Youth Title

A separate summer youth title is imperative and must be retained. SDA's should retain the authority to combine the Summer Youth program with in school and other youth activities under JTPA to address the employment and training needs in a more comprehensive manner. Eligibility under this title should be open to all economically disadvantaged youths regardless of school status. Priority should be given to youth with basic and/or vocational skills, deficiencies, school dropouts, teen parents and others with barriers to employment. Local flexibility should also be retained in determining services for at-risk youth because their needs must be addressed through a variety of programs.

6. Set-asides

To increase the percentage of funds available to local service delivery areas, funds set aside in the state allotment for older workers and education programs should be eliminated and such funds should be passed through to SDAs for coordination grants. These coordination grants may be awarded by service delivery areas to local education agencies, veterans organizations, unions or community-based organizations, in accordance with the local job training plan for the provision of direct services to clients. The specific purpose of these grants should be to improve services for clients and relationships among SDAs and the organizations.

The six percent set-aside for incentive grants must be maintained with an amendment which calls for not less than one-sixth of such funds to be passed through to the SDAs by formula for capacity building.

7. Human Resource Investment Council

To forge better coordination between JTPA and related human resource programs, the state councils for Vocational Education, Employment Security, Adult and Basic Education and Vocational Rehabilitation should be replaced with a single state council.

However, states should have the option of replacing the aforementioned councils with a single council in which private sector employers shall be represented in accordance with the composition of the current state job training coordinating council.

The existing JTPA State Job Training Coordinating Council should be given responsibility for all of these programs, provided that the administrative cost of the council is proportionately shared among the various programs.

8. Performance Standards

In order to achieve the objective of permanent long-term employment for hard-to-serve individuals, performance standards must allow for adjustments that recognize barriers to employment (e.g., illiteracy, transportation, child care, medical care, etc...)

The measurement of JTPA outcomes should be kept as simple and as focused as possible. It is important that JTPA mission not be diffused through the use of too many measures imbedded in complex measurement and adjustment systems. Performance standards should be uniform for JTPA and other job training programs that serve the same or similar clients.

-- Adult Competencies:

- NACo supports competencies for adults with basic skill deficiencies but urges that the performance standards be based on job placement and retention as the outcome objective for adult clients.

9. Local Appeal

The authority to appeal to the Secretary of Labor in disputes between local officials and the governor must be maintained. Since governors are required to follow specific criteria in applying sanctions against local administrative entities that allegedly do not meet the performance and other standards, local programs must retain the right to appeal decisions that do not comply with such criteria.

Because SDAs have no right by law to access the federal audit appeals process, amendments should be adopted granting SDAs the right to appeal independently all audit decisions through the federal appeals process.

10. Private Industry Council

Oppose changes in the composition of the private industry council.

11. Client Eligibility

Those who are economically disadvantaged should continue to be eligible to receive services under this program. Efforts to segregate economically disadvantaged persons into groups who are more in need than others mocks the reality that all economically disadvantaged persons are in substantial need and should be able to avail themselves of the job training services JTPA programs provide.

Priority for services should be given to economically disadvantaged individuals who exhibit skills deficiencies, have poor work histories and have limited English language proficiency, though no specific percentages should be assigned to any of these groups. Moreover, local job training programs should be permitted to target services to specific groups designated by local elected officials and private industry councils, so long as such groups are identified in the local job training plan and approved by the state. In addition, to reduce paperwork at the service delivery level, person receiving Aid to Families with Dependent Children (AFDC) and other transfer payments should be automatically eligible to receive JTPA services.

Support is also urged for increasing the eligibility window (percent of eligible persons who would not be required to meet the economically disadvantaged criteria if they face other barriers to employment) to 15 percent for adult and youth participants under Title II.

12. Fair Chance Youth Opportunities Unlimited Programs

Oppose establishing any additional demonstration programs that would provide direct services to clients.
Support additional funds for research and development projects designed to promote and enhance the management and implementation of JTPA programs at the local level.

13. Fixed Unit Price Performance-Based Contracts

Fixed unit price contracts as described in the U.S. Department of Labor's March 1989 policy guidance letter should be maintained. Problems identified in this area which resulted from the lack of guidelines have been addressed with the Department of Labor in its March, 1989 policy guidance letter. That letter promulgates procurement standards, fixed-unit price performance-based contracts reimbursement procedures and guidelines for using excess revenues. These corrective actions should be given an opportunity to work before further changes are adopted.

14. Fiscal Integrity

Efforts by the Department of Labor and the Inspector General to ensure fiscal integrity among JTPA programs should focus on the adoption and implementation of stronger common rules and accountability statements and definitions of such terms as "reasonable and necessary" costs and profits.

15. On-the-Job Training

To run an effective on-the-job training (OJT) program, local discretion to determine the length of training should be based on client assessment, employability plans and references such as the Dictionary of Occupational Titles (DOT/SVP). NACo supports limiting OJT to six months, however, the governor should be granted the authority to grant a waiver under justifiable circumstances.

Brokered OJT's, provided by a third party, should be maintained because they represent an important component of the JTPA training program, particularly in rural America. However, appropriate limitations should be placed on brokered OJTs, such as the length of time, the structure and the contents of such contracts.

16. Uniform Definitions, Reporting Requirements and Standards

Support uniform definitions, reporting requirements and standards for all legislation related to federally supported job training and employment.

17. Sunset

Permanent authorization of the Job Training Partnership Act must be maintained. The assertion that a Sunset provision, requiring re-authorization every five years, to ensure that Congress reevaluate the effectiveness of the program is unfounded. During the last five years, Congress passed major amendments to the Act on two occasions as circumstances required.

The rising need for a highly skilled labor force, coupled with the rising number of poor individuals with multiple barriers to employment strongly suggests an on-going permanent need for JTPA. Those who are most in need must be assured that they wills receive needed assistance on an on-going basis.

18. Capacity Building

NACo recognizes that capacity building is an important on-going activity. NACo believes that current capacity building activities should be expanded to increase opportunities for staff training and development. Such a system must be mutually developed by the state and local service delivery areas. Standards for establishing curricula for job training and competencies for administrative personnel must be determined at the local level.

Additional resources for this activity must be made available to the system. Not less than one-sixth of incentive grant funds should be passed through to the SDAs by formula for capacity building. Groups of SDAs should have authority to pool such funds.

19. Employment Generating Activities

The authority to provide Employment Generating Activities should be continued. However, such activities must be used to benefit eligible clients and should be explained and approved in the job training plan.

Adopted by Employment Steering Committee
(unanimous)
March 16, 1991

Adopted by the NACo Board of Directors
March 17, 1991

Chairman **Perkins**. Thank you, Commissioner.

I would like now to turn to the President of the National Alliance of Business, Mr. Kolberg.

I would remind the witnesses, not to feel shy about summarizing your statements. I have read every one of them individually.

Mr. **Kolberg**. Mr. Chairman, I don't feel shy about summarizing mine. If you would agree to inserting my full testimony into the record, I would be happy to try to summarize.

Chairman **Perkins**. Without objection, it is so ordered.

Mr. **Kolberg**. I appreciate this opportunity, Mr. Chairman, to appear before this subcommittee to provide a business perspective on amendments to the Job Training Partnership Act. It is an honor to appear before you as the new subcommittee chairman. I enjoyed working with your father on many of these issues over the years. I look forward to working with you and the subcommittee in this session and later on.

The five key principles outlined in Secretary Martin's testimony on May 9 are, I believe, a useful way for me to organize my few remarks today.

First, with respect to maintaining the successful cornerstones of the JTPA system, Secretary Martin stressed the administration's resolve that any amendments to JTPA maintain the successful, as she termed it, cornerstones of the current JTPA programs, meaning its delivery system, and particularly meaning the private-public partnerships.

We in American business remain strongly committed to the public-private partnership under JTPA. There are now about 10,000 business volunteers nationwide serving on 626 local Private Industry Councils. We believe that this public-private partnership is the most critical factor in what we believe to be the program's overall success. The doubts that were expressed initially about the long-term commitment and the effectiveness of business volunteers have long ago been dispelled by experience.

Mr. Chairman, we view these fine-tuning amendments, as I would term them, as an important interim step toward a longer term strategy in building high performance employment and training systems, as my colleague, Phil Power, pointed out. Eventually, we believe, this country will need to build on the proven principles of the JTPA system to create a set of local labor market boards with a much broader and more integrative program of services that can respond to a variety of employment and training needs for adults, at-risk youths, dislocated workers, and, yes, the retraining needs of the existing workers already employed by the Nation's businesses.

The British are now installing their version of this broader institution in what they are calling the "training and enterprise councils." We in business intend to follow their experience very closely over the next year or two to see if there are possible lessons and models which we in this country might use. Such a system, as Phil Power pointed out, was recommended by the National Commission on Skills of the American Workforce. I will associate myself with his remarks on that subject.

Second, targeting on youth and adults most at-risk of failure in the job market: It seems to us that the administration proposes a reasonable approach to improve the targeting of services on those most at risk of long-term failure in the job market. The administration's amendments would require that a majority of eligible individuals have one additional barrier to employment in addition to being economically disadvantaged or poor.

I would make two suggestions on this point. First, the list of barriers should be carefully constructed to minimize the administrative burden of trying to verify eligibility for characteristics that may have no documentation available, such as a school dropout or a person that is homeless. The list of barriers should be short and generic so that it truly targets and does not expand into a long list of barriers for many different population groups.

Secondly, I think we all know how politically difficult it is setting new funding formulas. I hope, therefore, that the committee will limit your work on formulas to what is absolutely necessary and easily achievable, so that this package of amendments can be enacted in a timely fashion.

Third, achieving a comprehensive coordinated human resource program: Mr. Chairman, I can't stress enough the importance of developing a cohesive service delivery system at the local level. We strongly support the establishment of an expanded State Human Resources Policy Council for overseeing a multitude of services that my friend, Mr. Power, talked about: adult education, vocational education, vocational rehabilitation, the public employment service, JTPA, and now, most recently, the very large jobs component of the welfare program.

This council should significantly enhance coordination at the State level, which is the most important point of beginning the contact for strategic planning. Once State agencies begin to break down the bureaucratic barriers, perhaps then meaningful programs can be put together at the local level where the service delivery for participants finally takes place.

Fourth, enhancing program quality: We believe that the JTPA system should provide more intensive and more comprehensive services to program participants. The proposed amendments would require that all participants be assessed to determine their skill levels, needs and interests; that a service strategy be developed for each individual based on that assessment; and that the appropriate services be provided. These changes pick up on concepts that are tried and true in other programs, like vocational rehabilitation.

Although this careful, case-by-case approach is somewhat more expensive, it has proven to be the most effective way to successfully plan and deliver the multiple services that the typical at-risk client must receive.

Fifth and last, Mr. Chairman, increasing fiscal and program accountability: We realize that the issue of fiscal integrity is one of the most complex and controversial concerns before you. We support the accountability measures included in the administration's amendment package. These provisions should address the concerns that have arisen over the program's integrity, while still preserving the very important and needed flexibility at the State and local level. I would encourage the subcommittee not to go too far with additional administrative requirements motivated out of concern by issues of mismanagement or funding abuse. There are things that can and must be done that are moderate and sensible, to assure taxpayers that funds are well spent. But we must not go so far that we damage the unique local flexibility of this program. Provisions like those suggested by the administration in their draft, it seems to us, maintain a proper balance between accountability for public funds on the one hand and the achievement of program purposes on the other.

It is imperative, in our view, that we achieve these goals without threatening the cornerstone of the program's success: the public-private partnerships that have been formed throughout the United States, and the program's adherence to the principles of local flexibility. Thank you, Mr. Chairman. I look forward to responding to any questions you may have.

[The prepared statement of William H. Kolberg follows:]

TESTIMONY OF
WILLIAM H. KOLBERG
ON BEHALF OF THE
NATIONAL ALLIANCE OF BUSINESS

BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES
COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES

ON AMENDMENTS TO THE JOB TRAINING PARTNERSHIP ACT

MAY 21, 1991

Mr. Chairman, I appreciate your invitation to appear before the Subcommittee today to provide a business perspective on amendments to the Job Training Partnership Act (JTPA).

I am William H. Kolberg, President, of the National Alliance of Business.

I would like to welcome you personally as the new chairman of this Subcommittee. I enjoyed working with your father on these issues for many years, while I was assistant secretary of labor and afterwards at the Alliance. I look forward to working closely with you and the other Members of the Subcommittee. With renewed commitment, I think all of my colleagues here welcome the opportunity to join withy you in making this nation's employment and training system the best in the world. Also, I want to commend you on the Subcommittee's open, consensus-building approach to amending the Job Training Partnership Act.

JTPA is a good program, that has generally been well implemented throughout our nation. As we strive to meet the rising skill requirements of employers and the alarming basic skills deficiencies of the youth and adults who are available for work, we need a more efficient, cohesive and fully accountable system. Therefore, we believe, as we did last Congress, that the time has come for fine-tuning amendments to JTPA.

Maintaining Successful Cornerstones of JTPA

The key principles outlined in the Secretary's remarks on May 9 are a good starting point for our discussions. Secretary Martin stressed the Administration's resolve in any amendments to JTPA to maintain the successful "cornerstones" of the current JTPA programs -- its delivery system -- particularly the public-private partnership. Business remains strongly committed to the public/private partnership established under JTPA. There are over 10,000 business volunteers nationwide serving on 626 private industry councils. The National Alliance of Business agrees that this partnership has been and will continue to be a critical factor in the program's success.

Private sector involvement ensures that training is geared toward available jobs within each locality and is sufficient to prepare participants to meet local employers' expectations. It also provides a vital connection between the JTPA system and local employers -- resulting in linking JTPA graduates with available job opportunities.

We also believe it is critical to preserve flexibility for local programs so that they can design their individual programs to meet the needs of their specific labor markets. Across the country, barriers to employment, resources, and job opportunities differ significantly. A perfect example of this, as you are well aware, lies in the extreme differences between the needs of rural areas compared to those of heavily populated urban areas.

Preserving these important cornerstones in the amendments will move us along in building a strong foundation for further work in developing a broad based, cohesive employment and training system at the local level. The Alliance sees a long term strategy evolving in federal policy that will lead us to a more comprehensive approach to labor market problems of disadvantaged populations, worker dislocation, and other skill training.

Targeting

One of the most serious criticisms of JTPA is that it does not serve a majority of those in greatest need. The Administration's proposed amendments suggest a reasonable solution to improving targeting of services on those most at risk of long-term failure in the job market. It appears that the Administration's bill would accomplish this by: revising JTPA's eligibility criteria; changing its funding allocation formula to states and local areas; by separating the programs for youth and adults; and by authorizing a new Youth Opportunities Unlimited (YOU) program.

While we agree that the JTPA system needs to better focus its scarce resources on those most at risk, this must be accomplished while still maintaining local flexibility. Flexibility is critical for two reasons: first, substantial differences exist among communities in the percentage of eligible individuals from "targeted" populations; second, legislation should be flexible enough to adapt to changes in the economy, unemployment rates, labor force skill needs, and targeted populations which shift over time.

The first way in which programs would be targeted would be to require that a majority of eligible individuals have one additional barrier to employment in addition to being economically disadvantaged. I would make two suggestions on this point. First, the list of barriers should be carefully reviewed to minimize the administrative requirements of trying to verify eligibility for characteristics that may have no documentation available. Being a school dropout or being homeless is a good proxy for additional barriers to employment, but those characteristics are difficult to document with a paper trail for audit purposes. Second, the list of barriers should be short and generic so that it truly targets and does not expand into a long list of barriers for every population group which diffuses its purpose.

The second way in which the Administration's proposal would focus services on those most in need is by changing the funding allocation formulas to redirect funds to areas with greater numbers of the economically disadvantaged population. The Alliance supported recommendations by the Secretary's national JTPA Advisory Committee, on which I served, last Congress to place more weight on factors of economic disadvantage and less on unemployment in the allocation of funds. This was however the most controversial and divisive issue of the bill last Congress, and was ultimately the issue that killed the bill. Therefore, while conceptually we would agree with changes in the formula similar to those in the Administration's proposed bill, we would not want to see enactment of positive changes to JTPA threatened again by this single issue. I would urge members of the committee not to get lost in formula debates, but rather to do what is necessary and easily achievable with these amendments and move on them in a timely way.

The Administration's amendments to JTPA would further enhance targeting by establishing separate programs for adults and youth. Like the JTPA Advisory Committee report, I support the separation of adult and youth services into two distinct programs. This separation facilitates the establishment of different and more appropriate targeting criteria for each program. Further it allows for emphasis on different and more relevant service strategies.

We feel that at least 50 percent of the funds for youth, as is contained in the Administration's proposal, be directed toward out-of-school youth, the "forgotten half". And we support the integration of the Summer Youth Employment Program into the year-round youth component, allowing local SDAs the flexibility to determine the most appropriate use of the limited funds for youth within their communities. In many areas of the country, there is no shortage of private sector summer jobs for youth. Additionally, research has shown that the skill needs of at-risk youth are rarely addressed through summer employment alone -- but that a comprehensive array of year-round services is needed for these individuals.

Coordination

I cannot stress enough the importance of developing a cohesive service delivery system. As very explicitly outlined in the JTPA Advisory Committee's final report, more integrated local service delivery will yield significant benefits: scarce resources can be more effectively utilized; program efforts enhanced; and the multiple problems faced by individuals and families entering the system can be more effectively and realistically addressed. JTPA is not equipped on its own to serve the variety of health related, financial, and social needs brought by at risk individuals into the system. When other human service programs can brought together so that JTPA has access to a variety of services from other programs, clients can be better served by a more comprehensive strategy.

We strongly support the establishment of an expanded State Human Resources Policy Council for overseeing the adult education, vocational education, vocational rehabilitation, public employment service, JTPA programs, and coordination with the welfare JOBS program. This council should significantly enhance coordination at the State level where the most important point of contact is for strategic planning. Once state agencies begin to break down the bureaucratic barriers to coordination between programs, meaningful programs can be put together at the point of service delivery for participants at the local level.

We also support the adoption of state innovation and coordination grants proposed by the Administration, requiring states to establish human resource goals, describe specific activities for achieving those goals, and describe cooperative arrangements for implementation in order to receive the grants.

Program Quality

Everyone involved in the JTPA amendment process is dedicated to improving the quality of the JTPA program. The National Alliance of Business believes that the JTPA system should provide more intensive and comprehensive services to program participants. It is very important that JTPA participants not only find jobs at the end of training, but that they find well-paying jobs, that they retain their employment, and that they have the ability to move up the career ladder in the future. The acquisition of basic skills, industry-specific skills, the ability to think, exercise judgment, and to learn must be a part of their overall job training strategy.

The Administration's proposal includes many of the recommendations made by the 1989 report of the JTPA Advisory Committee for improving quality of program services. It requires that all participants be assessed to determine their skills levels, needs, and interests; that a service strategy be developed for each individual based on that assessment; and that the appropriate services be provided. Further, the bill would extend the allowable follow-up services for a period of up to one year after program termination to encourage job retention.

The types of changes related to program quality which we have discussed with the Administration pick up concepts that are tried and true in other programs like vocational rehabilitation. All the resources and program activities are focused on the employment goals for individuals through participant assessment, development of a training strategy, and case management to support the success of each person.

Fiscal Integrity and Accountability

We realize that the issue of fiscal integrity is one of the more complex and controversial concerns over the JTPA program. There have been numerous criticisms aimed at JTPA, including those levied by the Department of Labor's Inspector General's Office and by the General Accounting Office (GAO) with regard to perceived fraud and abuse in the system. While there have been some "bad apples" in the program, we feel that overall, most service deliverers have the best and most honest intentions.

In order to address the legitimate criticisms of the program, the Administration proposal would require that governors establish and implement procurement standards for JTPA to ensure fiscal accountability and prevent fraud and abuse. Their approach would establish much more rigorous oversight of program activities. It further stipulates that the Department would ensure compliance with the standards through close monitoring, and that corrective action would be promptly taken or appropriate sanctions applied where problems arise. We support these and other accountability measures included in the Administration's amendment package. These provisions should address the concerns that have arisen over the program's integrity, while still providing the needed flexibility to state and local areas in meeting problems as they arise within their individual program responsibilities.

I would encourage the subcommittee not to go too far with additional administrative requirements motivated out of concern by issues of mismanagement or funding abuse. There are things that can and must be done that are moderate and sensible to assure taxpayers that funds are well spent. But we must not go so far that we damage the unique local flexibility of this program. Local flexibility is one of its key strengths. Provisions, like those suggested by the Administration in their draft, maintain a fine balance between accountability and program purposes. It would maintain the ability of local leaders to design programs appropriate and unique to their local populations and labor market problems.

The Role of JTPA in Federal Policy

Education and training have been cited in study after study as the single most critical factor in our nation's success in the world marketplace. It will require dramatic improvements in our basic education systems, greater investments in the systems like

JTPA which serve those who do not succeed in the "first chance" education systems and will need special assistance in entering the labor market, and revolutionary change in the organization of work in American business based on high skilled, high performance workers.

It is estimated that by 1995, 14 million Americans will be unprepared for the jobs that are available. Many companies are concerned that they will not be able to find employees who can even read, write, or do simple arithmetic. This comes at a time when our economy increasingly demands workers who are literate, creative problem solvers, and who can adapt to ever-changing situations -- workers who have learned to learn. While many companies have managed to be profitable by adjusting to the limitations of their employees, they will increasingly find they will need to reorganize work and demand more knowledgeable and skilled workers in order to meet the changing international environment and customer demands. The majority of U.S. workers will not need 4 year college degrees, but training beyond high school will become increasingly necessary. In an employer survey by the Business-Higher Education Forum, it was found that by the year 2000, the computer literacy requirement for blue-collar workers will be universal; that blue collar workers will need to become more "professionalized"; they will need to be prepared to work in teams, to make decisions, to communicate with customers, and to participate in life-long learning.

Recently the President introduced his national education reform strategy in America 2000 -- with the goals of strengthening education for current and future elementary and secondary students and adult learners in the U.S. Recognizing that while rebuilding our country's public schools system is vital -- it alone is not enough to meet the needs of the nation's work force in the near future since close to 85 percent of our work force in the year 2000 is already working today. Adult workers will continue to lose jobs for literacy problems or outdated skills. JTPA is the pivotal instrument designed to equip our economically disadvantaged youth and adults with the skills necessary for successful entry into the job market and to enable dislocated workers to reenter the work force.

While problems have arisen in the program, JTPA's overall record is strong -- enrolling more economically disadvantaged persons than is required by law; exceeding performance expectations in placements after training; and energizing the system through its innovative delivery system of private sector and community participation. Improvements can be made to better target those most in need of services. More attention can be focused on ensuring that JTPA provides the quality training necessary to move our unemployed and disadvantaged into the mainstream labor force. And the wide range of services provided to the disadvantaged through labor, education, and health and human services can be better coordinated through development of a more cohesive service delivery system.

Conclusion

Mr. Chairman, after nearly ten years of operation, we can be very proud of the successes in the JTPA system. There are improvements that can and should be made to a program of this magnitude. However, they are refinements that can be made while building on the strengths of the existing program.

We are all working toward the same goals: better targeting of hard-to-serve individuals; development of a more cohesive human resource delivery system; improved program quality; and increased fiscal and program accountability. It is imperative that we achieve these goals without threatening the cornerstone of the program's success -- its delivery structure -- the public/private partnerships that have been formed throughout the U.S. and the program's adherence to the principles of local flexibility.

I want to reiterate my appreciation for the way in which you are developing amendments to JTPA through a consensus-building approach, and I want to thank you again for inviting the Alliance to testify.

I would be happy to answer any questions you may have.

# # #

Chairman **Perkins**. Thank you, Mr. Kolberg.

With the indulgence of the ranking member, Mr. Gunderson, since we have Chairman Ford here, I would like to see if he has any comments, statements, or questions that he would like to address to the panel at this time.

Mr. **Ford**. Thank you very much.

I am very sorry, Kay, that I couldn't get back here for your testimony. An occupational hazard of being full committee chairmen is that when we go to the floor—I am sure Mr. Goodling as the ranking Republican on the committee has the same experience—everybody chooses that opportunity to grab us and tell us about the particular way we ought to run the committee affecting their district. So it is kind of like running a gauntlet when we go over there. I did read your testimony, however.

I was going to ask Mr. Gunderson how he gets a county commissioner from my district to come to Washington and praise his great efforts in protecting local control.

Mr. **Gunderson**. It took me 11 years, but I deeply appreciate it.

Mr. **Ford**. She didn't even ask me if that was all right, Steve, so you must rank pretty high.

Mr. **Gunderson**. That is probably why it is still in the copy.

Mr. **Ford**. A couple of years ago, the Inspector General—and I want all of you to respond to this—the Inspector General of the Labor Department brought to us some work that they were doing and a list of abuses. Mr. Goodling and Mr. Hawkins, and I think Steve, had some hearings with testimony from the Inspector General and also the GAO on findings they had made when they took a look at what was going on in the JTPA.

We started working with the then-Secretary of Labor, Libby Dole, to see how the problems could be cured by action by the Executive Branch. We had, in my opinion, great cooperation with my predecessor, Chairman Hawkins, in moving toward that goal. But then we reached a point where they felt that we needed some legislation, and that is part of the reason we feel a sense of urgency about Mr. Perkins' legislation in this Congress this year.

Already in these hearings, Mr. Perkins has had both the Inspector General and the GAO come back because we made a request, joined by the Senate, last year, for them to take another look and see what was going on since the sound of the alarm the first time.

The GAO's testimony before this Committee is noteworthy because their most recent reviews confirmed their first concerns. In other words, it hasn't gotten better; it is still there. Here are the kind of things that jump off the pages of their testimony for me. They looked at 12 service delivery areas around the country. I have it only by the faintest kind of rumor, because this report is not yet finalized, that one of these may be in my own State of Michigan and not very far from Wayne County.

That alarms me, because I have talked to all the county people, Kay, from Michigan. They assured me that none of this stuff was going on out there.

But in 11 of the 12 sites—and hopefully the one that didn't do this was the one in Michigan—OJT had contracts involving excessive periods of on-the-job training. Of the total number of lower skill on-the-job training contracts, approximately 73 percent provided for excessive periods of OJT. GAO found examples of excess training, such as 65 days of on-the-job training for a hotel maid; 70 days of on-the-job training for a kitchen helper; and 129 days of OJT for a car-wash attendant. OJT contracts covered an average of 6 weeks, among all of the SDAs reviewed, ranging from 2 weeks at one SDA to 12 weeks at another SDA.

The GAO calculated that the extra cost attributable to the excessive period of time covered by low-skill OJT contracts constituted about 36 percent of total low-skill OJT contract costs in these service delivery areas that they studied. The 12 were selected by the GAO—they have had a lot of experience in doing this—to be representative of what was going on in the country at any given time.

The GAO found a substantial number of OJT contracts for training individuals who already had significant work experience in the job for which OJT was paying half the wages. In a sample of individual work histories, 25 percent of the individuals had at least one year of previous experience in the field in which they were being trained. Now we are talking about low-skill training; we are not talking about training where you go into something new.

The GAO also identified instances where JTPA programs entered into OJT contracts with businesses to train individuals already employed by these businesses. Now, that fits in with what we heard the first time around, that very few of the people that were trained in on-the-job training, with 50 percent of the wages coming from the program and 50 percent from the employer, ended up with a permanent job. A large percentage of the jobs have been in work like parking lot attendants, dishwashers, and car-wash attendants, low minimum wage job skills.

I asked the question: Should we be spending the taxpayers' money to continue training people for a job that leads nowhere except to a low minimum wage position?

How do you feel about that in light of the findings of your commission, Mr. Power and Mr. Kolberg?

I am not suggesting that we turn this into a program for Ph.D.s, because that is not what we started out to do. But if what we are doing is training car-wash attendants for 129 days, there is something wrong.

Mr. **Power**. As I have testified, Mr. Chairman, and as I think I have so testified in the past—and this is based on my own experience as Chair of the Michigan Job Training Coordinating Council, which was the JTPA oversight agency in Michigan—I am not at all persuaded that a compelling case could be made for spending money on on-the-job training to educate people and train people for low minimum wage skills.

If we want to have public sector subsidized employment, that is one thing. We tried that in CETA. But to create public sector subsidized employment and training in the guise of on-the-job placement, I think is a mistake. I think it leads to abuses of the sort that GAO has suggested.

Mr. **Ford**. Mr. Kolberg.

Mr. **Kolberg**. Mr. Chairman, I am personally offended by the kinds of things recited, as I think you are. I am offended, and it makes me livid that there are bad apples in every barrel and that there are that many bad apples apparently in this barrel. Clearly, we need to do something about it. This program wasn't designed for that kind of thing.

I would argue that most good operators—if you have 626 operators in the system, those of us in business would argue that there are probably 10 percent that are bad. They are not necessarily stealing, but they may be dumb. They are doing a lousy job. What we have to do is recognize that that is likely to be the case and do something about it.

As I said in my testimony, I think what the administration is proposing—putting a six-month limit, number one, and ruling out chicken pluckers, carwash attendants, all that kind of stuff—no tax money should be spent on those kinds of things that don't require any on-the-job training of any sort at all, and certainly don't require any subsidy. We need to relate on-the-job training to the Dictionary of Occupational Titles. As you know, Mr. Chairman, most of the training that goes on in the United States goes on on-the-job, in your office and mine and in all organizations. So there is nothing particularly wrong with the concept of on-the-job training.

I would just end by saying in response to your recalling the Commission, that I think over time where we ought to be headed is, if you will, the German model, where there is a combination of classroom and on-the-job training which is very carefully put together by both educators and employers. It is very carefully done. There is a classroom and an on-the-job training component. National business organizations, among others, monitor to see that, in fact, there is quality both in the classroom and in on-the-job training, and that that is the way to impart skills.

Over time, whether it is the two plus two that you have supported, or whether it is more the German model, I think that is the direction we need to head. In the meantime, we need to fix this program so that those kinds of abuses cannot take place.

Mr. FORD. I thank you.

Mr. Chairman, just one more question.

Kay, when I talked to Michigan county representatives about this last year and the year before, I was reassured by people all over the State that, while they had some experience with OJT employers who did not hire the people after they gave them the OJT training—who would just come back and ask for a new OJT-subsidized worker—that they had taken care of this problem within their counties by simply adopting a practice that if employers have been given people to train and don't hire them after we have paid half the wages for their training, we are not going to provide more OJT to those employers. That is what some of us think we ought to make a national requirement.

They gave me the impression that county officials in Michigan—and Phil, you would know about this in your former position on the State Job Training Coordinating Council—that Michigan people had recognized this kind of problem and done something to take care of it.

Do you think it would be onerous if we were to try, in cooperation with the Labor Department, to set up some sort of a minimal hiring requirement? If you don't hire at least half of the people you had on OJT and keep them for at least a couple of months after they have had the subsidized wage, that you become ineligible for future OJT? Is that too severe? Will we drive people away from providing OJT opportunities?

Ms. **Beard**. I think a lot will depend on the kind of training that people would get—if they are getting OJT training that will allow them to move into that kind of position not necessarily with the trainer, but if they could go onto another job even if they stay with the company training them for a few months. I think the important thing is not so much whether that company keeps them, but whether they are able to go on for other employment.

It is a good idea at times to have companies that are involved in the training and then the participants can move on in that same line of work.

One thing that I am concerned about along those lines, too, is the fact that we have so many people now that are functionally illiterate. There are so few jobs today that people can really hold without some kind of basic educational skills in order to learn to handle the jobs. Some of those jobs, too, are taking a little bit longer, I have been told, have been for people that have deficiencies in their ability to learn, so it takes them a little bit longer. Of course, when we have some people like that, we do want to see them enter the workforce as well.

So it is hard to quantify those kinds of problems throughout the whole country. Different States have different needs, different skill levels for their jobs, different numbers of people that drop out of school, that are, for all practical purposes, functionally illiterate and are not really able to become a part of the mainstream without additional training, particularly in learning the functional educational skills.

I would be remiss if I didn't say the reason we were commending Mr. Gunderson is because the National Association of Counties works with Republicans and Democrats. I am appearing on the behalf of the National Association of Counties more than as a Commissioner from Wayne County.

Mr. **Ford**. So Mr. Gunderson was simply a token Republican.

Ms. **Beard**. No, no. We are so happy that we work on a bipartisan or nonpartisan basis with everybody. I am sorry that Mr. Andrews wasn't in the room when I started my remarks because I was so pleased that he comes from a county background and has that experience and that interest. It is wonderful when we can get Republicans as well as Democrats to be sensitive to local government. I am very sensitive to whether or not people are sensitive to local government.

Mr. **Ford**. I think I can say honestly, with no fear or intention of insulting them, that the two Republicans that were here today probably agree with me on these issues more often than we disagree. We have worked together for a good many years. Part of the reason is because one is on one side of us in Pennsylvania and the other one is on the other side of us in Wisconsin. Out in that part of the country, we sort of think alike about a lot of things.

Ms. **Beard**. Indeed.

Mr. **Ford**. Thank you very much, Mr. Chairman.

Chairman **Perkins**. Thank you, Mr. Ford.

At this time, we'd like to turn to Mr. Gunderson for any questions he may have.

Mr. Gunderson. Thank you, Mr. Chairman. In the interest of time, I will try to be brief.

Mr. Power, your statement intrigued me the most in the sense of the mission JTPA. I would like to pursue that for just a second. You listed your three goals: first that all American students be required to meet an educational and skills performance standard benchmarked to the highest in the world. I am not opposed to that, but I don't think that is the role of JTPA.

Would you disagree or agree with me?

Mr. Power. No, I don't. But the point that I was trying to make is that as we see JTPA in the context set by the report of the Commission on Skills in the American Workforce, JTPA is one component of what I feel should be regarded as a coherently managed system of human investment. I certainly don't want to suggest that existing JTPA authorization or legislation be yanked around by the neck to be distorted into doing something it is not intended to do.

I think this gets into a public policy question. There are at the Federal level a fair number of substantial and significant legislatively enacted programs which deal with one or another aspect of the human investment question. It is also undeniable that these programs usually operate in isolation of each other. They usually are not coherently nor collaboratively managed. Therefore the question is what do you do about it?

Several possibilities occur. One, you coherently amend all of the legislation so as to make policy rational. Unlikely. Not because the Congress or State legislatures are silly people, but rather because of the realities which are involved in the legislative process of developing majorities behind a piece of legislation.

The second possibility: A Governor beats the tar out of people and says you shall consolidate departments; you shall perform in thus and such a way. Usual outcomes are two: one is blood-letting by turf; two, surly compliance. The surlier the farther from the capitol. Therefore, our conclusion was that there was only one reasonable way to deal with both realities. It is to so manage the existing body of legislative authorization in these programs so as to provide a coherent, transparent, user-friendly service delivery system at the local level.

The reason JTPA is significant in this regard is that it creates the institution of the PIC, which constitutes in effect a local board of directors representing the broad range of community interests in these services and activities.

Mr. Gunderson. Let me follow up on that as a perfect interlude into my second question.

You advocate, also, the establishment of a local employment and training board resembling the PIC.

Mr. Power. Yes.

Mr. Gunderson. I want to ask all three of you: Do we need another local board above and beyond the PIC?

Mr. Power. No. Evolve the PIC.

Mr. Gunderson. How about you, Supervisor?

Ms. Beard. Well, the more layers that you have, the more things become diffused.

Mr. Gunderson. Bill.

Mr. **Kolberg**. Mr. Gunderson, as I said in my testimony, I think that the Private Industry Council will and should evolve to a much broader-based body at the local level; not another one, but it will take on more responsibilities both in the context that Mr. Powers is talking about, to put together a sensible integrated system but, as is now the case in Great Britain, things that are well beyond anything that we have ever talked about. For instance, the training and enterprise councils are now very much involved in working with employers with their own workforce on the problems they have in workforce quality, whether it is literacy problems or high performance work organizations or whatever it may be. So over time, I see these local bodies evolving in both of those ways.

Mr. **Gunderson**. Is it our role to articulate exactly what that evolution should or should not be?

Mr. **Kolberg**. I think the Federal Government does have a comparative advantage and even a responsibility to begin to articulate the direction we ought to go in. Yes, they will be State and local bodies as they now are becoming in States like New Jersey, Massachusetts, Maine, but the Federal Government, it seems to me, as always, needs to lead with a national pattern.

Mr. **Gunderson**. If you all feel that way, I would appreciate it if you would submit to the subcommittee for consideration particular perspectives of what you believe are guidelines or directions on what that evolution ought to be.

Thank you.

Thank you, Mr. Chairman.

Chairman **Perkins**. Thank you, Mr. Gunderson.

Mr. Andrews.

Mr. **Andrews**. Thank you, Mr. Chairman.

Commissioner Beard and gentlemen, I am sorry I missed parts of your testimony. We had a vote called over in the Capitol.

Commissioner Beard, if you were empowered to change one aspect of the JTPA program as it applies in your county, what would that aspect be? What change would you make?

Ms. **Beard**. One change?

Mr. **Andrews**. What would be the one that would be most significant in assisting your administration of the program?

Ms. **Beard**. Probably less interference with the ability of local people to understand the needs of the local area rather than having imposed on them standards from Washington, not taking into account the differences in local areas and the differences in training that is needed. I think that would be the most important.

Mr. **Andrews**. I realize it is sort of off the top of the head, but can you give us any specific examples of particular mandates or interferences that create problems in Wayne County?

Ms. **Beard**. Well, the reporting problems, the constant imposing of rules and regulations that cause more people to have to spend—well, you weren't here for my testimony, but I went into that.

Mr. **Andrews**. I did read the testimony, yes.

Ms. **Beard**. Okay. The fact that more people and more money have to be spent on these kinds of detailed reporting on a basis more often maybe than in the past. I understand the reason behind that. The reason behind it is to have more accountability. But I think if the Federal Government sets the proper parameters within which the local JTPA programs can be operated in conjunction with PIC and gives the local areas, probably through the States, some ability to waive certain restrictions—because you cannot mandate everything for 50 States in something as different as job training, because different States have different needs, different populations have different needs.

I think more ability to be innovative and to be able to enter into different kinds of training are also necessary; and in particular, I am very concerned about the lack of literacy and whether we are going to continue to allow people in this country to be functionally illiterate and not able in this increasingly technical society that we live in, to be a functional part of that society.

Mr. **Andrews**. We have a terrific bill that our colleague, Mr. Sawyer from Ohio, has championed in this Congress that our full committee has acted on and which the House has acted on, which I think could address that. It talks about this.

I would ask one more question. In Michigan, are counties responsible for welfare administration, for AFDC and SSI?

Ms. **Beard**. No, thank God.

Mr. **Andrews**. Okay.

Ms. **Beard**. Unfortunately, my county executive is wanting the State to send us the money and allow us to administer it because he thinks that we can do it more efficiently. Our Governor is now proposing to put into a block grant general assistance, medical and emergency needs into a block grant and cut State funding by two-thirds. So that is what would happen if we were to get the operation of Department of Social Services.

Mr. **Andrews**. Has there been any preliminary planning toward integrating the new Federal JOBS program, the welfare reform program, and JTPA in your county? I guess it must be difficult when you are dealing with two different levels of government?

Ms. **Beard**. It is. Actually, we have not been as deeply involved in JTPA as we were in Comprehensive Employment and Training Act. I was very much involved in CETA, because CETA reported to the Human Resources Committee that I chaired at one time. I also served on the original PIC board. Our county hasn't been as willing, apparently, to have the involvement of the local elected officials as much as had been in the past. Now that I am on that particular committee as a vice chair, I plan to become more involved and bring myself up to better speed.

Mr. **Andrews**. Thank you very much for being with us up here.

Thank you, Mr. Chairman.

Chairman **Perkins**. Thank you, Mr. Andrews.

Mr. Goodling, would you like to ask some questions now?

Mr. **Goodling**. Thank you, Mr. Chairman. I am here primarily to welcome the third panel, which will consist of —including others— Jody Keller, who is our Chair of the York County Private Industry Council. She is accompanied by Kathy Fox, who is our new Director of York County Office of Employment and Training. I think you will find their testimony very interesting because we have gone through some very trying times.

I did want to remind those who find good parts about JTPA, that most of those good parts were the result of the work of the young lady behind me, Dr. Buehlmann. Even though you hear from time to time all sorts of people who gets credit for everything that has happened with JTPA, Dr. Buehlmann had a lot to do with that.

What I do want to read into the record—and I will do this very quickly because I realize we have a vote—is in response to what I hear over and over and over again, "The only industrialized Nation that doesn't require national performance standards for its students."

We had before us in another subcommittee, a gentleman who testified on that issue. I just want to read into our record a few of the things that he said. I can do that pretty quickly.

"Mr. Madaris. Thank you for the opportunity to speak to you about a study that was sponsored by the Arts and Technology Assessment as a small part of its larger study on testing which I understand will be out in the fall. What we, my colleague and I, Thomas Callahan, at the Education and Research Center in St. Patrick's College in Dublin, Ireland did is look at the European examination system in the 12 European community countries. The press has been flooded with statements about European exams—very glib statements. 'We are the only industrial country in the world that doesn't have an exam. If we had one like the Europeans or the Japanese do, then our international competitiveness would be restored.' These kinds of claims are at best tenuous, and at worst laughable.

"What we did is look in detail at the examination system of the European community countries and submitted a long report to the Office of Technology Assessment. Just a couple of things that they found. The public examination system in Europe are not used for formal accountability or monitoring of standards or for teacher accountability. They are used to make an individual decision about individual students. In Europe, the second question is: Who should be tested and at what age? There are proposals to begin testing in the United States as low as grade four. In Europe, external testing before age 16 has virtually disappeared. One time it was popular in Europe. It caused all sorts of problems and it is no longer part of their program.

"Third, if students take different examination at different sets of subjects at varying levels of difficulty, how does one deal with the problem of comparability? It is assumed in this country that in Europe, everybody takes the same exam at the same time. In fact, that isn't true. The exam is very, very differentiated according to the track that you take in school and in terms of where you happen to live. In Germany, 11 separate States set separate examinations; in France, 26 separate examining bodies; in Great Britain, five separate examining bodies.

"In this country, we talk about a single standard for everyone to reach. That is not the case in the European countries that we studied. Students can pick higher or lower level exams, soft or hard options, honors or pass. They can pick from a number of subjects on which to be examined."

The last thing I will quote:

"The next question is how does one deal with the possible effects of examination on lower achieving students which is the focus of this conference. Experience indicates that in Europe, they will avoid taking examinations and perhaps leave the educational system at a point when they still could benefit from being in school."

I just wanted to read that into the record in relationship to this hearing.

Chairman **Perkins**. Thank you, Mr. Goodling. We are going to take another little break. We've got a vote. So if it all right with the panelists, I have a couple of questions that I would like to ask when we get back. Then we'll let you go.

Ms. **Beard**. Mr. Chairman?

Chairman **Perkins**. Are you on a time schedule?

Ms. **Beard**. I have a 4:15 flight.

Chairman **Perkins**. Go, by all means.

Mr. **Ford**. I would add that I sent that testimony to Secretary Brock because he was here saying the same kind of things.

Chairman **Perkins**. I understand.

Kay, it has been a pleasure to have you with us.

Ms. **Beard**. Thank you, Mr. Chairman.

[Recess.]

Chairman **Perkins**. I'd like to call the subcommittee back to order. I want to talk about this summer youth program. I'm sorry that Kay had to leave.

What do you think—has the National Association of Business done any surveys on this issue? How widespread is the support for the summer youth program?

Mr. **Kolberg**. Mr. Chairman, we agree with folding the summer youth into a youth title and giving the flexibility to States and localities to run the kind of youth program that they believe is best for them, rather than keeping it the way it is. We haven't run these surveys, as you suggest, to find out exactly what businesses think about that.

But again, I think Mr. Power and I were on even another group together that studied this. I think we both became convinced that it was time, under JTPA, to set aside the specific funds and the programs that go directly to youth in another title. Rather than earmark again, rather than the Federal Government saying this is the way you should spend your youth money, giving it to States and localities in the flexible system that we have, and saying this could be used for this if you wish. Again, it is going to depend a great deal on your local economy.

Chairman **Perkins**. So you would support a program that would allow an individual service delivery area to make a decision whether to go with the year-around program or summer program. Is that what I am hearing?

Mr. **Kolberg**. Or a mix, yes.

Chairman **Perkins**. Or a mix thereof.

Mr. **Kolberg**. Sure.

Chairman **Perkins**. And just leave it flexible and let that decision be made locally depending upon local needs.

Mr. **Kolberg**. That is what we think.

Chairman **Perkins**. Mr. Power, what do you think?

Mr. **Power**. I think by and large I concur with Bill. I think, however, it is a mistake to think that summer youth programs don't do any good. I think it is pretty clear, judging from our experience in

Michigan, where I think we had the largest summer youth program in the country——

Chairman **Perkins**. We can't hear you. Could you get a little closer to the mike?

Mr. **Power**. I beg your pardon.

Chairman **Perkins**. That's all right.

Mr. **Power**. I was saying that, in general, I concurred with Mr. Kolberg's view, but that we ought to recognize that summer youth programs do produce a fair amount of worthwhile outcomes. We, I think, had in Michigan the single largest summer youth jobs program in the country. Judging from our experience there, there is a lot of pretty constructive stuff that comes out of it. That was an example of a fairly flexible program that was driven by some capable and interesting people who really took advantage of the flexibility in a lot of the areas and drove it as hard as they could.

I would just like to urge you, to the degree possible, to think about the youth program and the context of the youth centers suggestion made by the Commission. It is our feeling at the Commission that a lot of kids both drop out and fall through the cracks.

Chairman **Perkins**. Let's talk about the youth centers. I think it is a good idea. Funding for those centers, where is it going to come from?

Mr. **Power**. It could come from a lot of places. If I may, Mr. Chairman, let me describe one of the things that we tried to figure out in Michigan. We created at the local level, surrounding the PIC, something that we call core groups, which were invited representatives from every key decision-making and program constituency at the local level. We invited them at the local level to come to the table and put marginal money on the table to achieve a variety of activities. In other words, whatever the law or the program from various jurisdictions doesn't specifically say you can't do, agree to do it at the local level and go get it done.

My sense is if you took the notion of core groups and an expanded PIC at the local level as a governance body, and tied into it Perkins' money, K-12 money, and you did some experiments in terms of money following kids who dropped out of local schools, you would have sufficient funding to begin to put together a pretty good youth center.

Tony Truhillo who is the school superintendent in Sweetwater, California put together an alternative youth education program—what was the funding, Bill?

It was a mixture of that sort of funding that achieved huge graduation rates and some very interesting technology at very, very low costs.

My point being that if you look at the programs in the human investment system as resource providers and you think about it systemically, you can get done an awful lot without having to create a big national funding vehicle that says, "Thou art going to spend billions of dollars."

Mr. **Kolberg**. Mr. Chairman, could I add on to that, please?

Chairman **Perkins**. You certainly can.

Mr. **Kolberg**. One of the notions that we had, and I think we put it in our report, is that States are often balancing their education budget on the backs of the dropouts, meaning that if you drop out, your State support and your local support—$5,000 a year, on the average—disappears. If 20 percent of our kids disappear before they are 16, there is about $5 billion a year there that could be spent by States if those funds followed young people that dropped out or didn't make it or couldn't make it in regular school, followed them to a youth center or other alternative education.

We pay far more over the lifetime of a dropout today for not doing that kind of remedial work. That is what we had in mind among other funding mechanisms in the Commission, to essentially say to States that it is time that the money you would otherwise spend on the dropouts and the push-outs get spent on making sure that they reach this high level that Phil was talking about, getting a certificate of initial mastery. So that nobody in our society goes out without the basic skills.

We return them to what the Swedes, the Germans, and others do. They follow young people. They don't just let them go. They follow them, they bring them back, and they insist that they be given every possible opportunity to get the basic skills that you have to have to survive economically in any of our societies.

Chairman PERKINS. I am not sure that what you suggest, though I think it is a bold and ambitious plan, is necessarily one that is going to be a reality in terms of the youth centers, quite frankly. I think the concept is a good one. I think that it is something that, in my mind, strikes me as having a lot of potential. But I don't see the funding that you are talking about coming together to do what we are talking about.

Mr. POWER. If I may, Mr. Chairman?

Chairman PERKINS. PLEASE, GO AHEAD.

Mr. POWER. For those of us who have worked at the State level trying to manage human investment systems and trying to manage JTPA, our experience has been that if our regulatory and legislative masters will encourage us to do things like this and will work with us to reduce barriers to getting something done at reduced cost per unit of output, a lot of people in the States want to do that.

There is a fair amount of ferment at the local and at the State level trying to do exactly what we are talking about. One thing that I encourage you and your committee to do is to think about ways in which you can assist, even by reducing artificial barriers, those of us at the State and the local level who are trying to get something creative done.

Franklin Roosevelt said once that the States are the laboratories of democracy. To the degree at which the States are not only not inhibited from experimenting but are actively encouraged to experiment, to that degree, we will make progress.

Chairman PERKINS. Let's talk a little bit about those categories of funding of the indirect and direct costs, and the support of services. How do you gentlemen view the best combination of those different categories to provide maximum flexibility and, at the same time, still ensure that we are trying to put our money to the most productive use with these individuals?

Mr. KOLBERG. Do you want to go first?

Mr. POWER. I don't know. Why don't you go first?

Mr. KOLBERG. All right.

Mr. **Power**. You hum a few bars and then I will.

Mr. **Kolberg**. I think, first off, with the case management approach that the administration has suggested, a la vocational rehabilitation, that is going to cost us more money. It is more expensive. It is person by person with an employment plan all worked out. That it is going to cost us more money whether it is 20 percent up from the 15 percent administrative, I am not sure. My hunch is that even 20 percent, if you report it honestly, isn't enough if you are going to change the whole way we case-by-case manage the JTPA system.

Other than that, I think perhaps a little more for services and being a little straighter than we have been about charging to training rather than to the administrative category would be about the way to go.

Chairman **Perkins**. What do you think, Mr. Power?

Mr. **Power**. Somebody told me a long time ago you can't eat training. That is probably true. At least it doesn't taste very good, A; B, not only within the Commission's report but in a context of an attempt to create an integrated local service delivery method, you have to use a case management device. That is going to be more expensive than batch processing.

I guess the other side of that argument is if you organize what you are trying to do such that it is denominated by outcomes, and that the management device lies in the outcome and in the management of outcome and in the association of costs with provisions of units of outcome, then you will be able to manage the system to achieve what you are trying to get, rather than manage it by command and control devices.

Chairman **Perkins**. I wonder, in terms of different services that were provided. I was walking over with Chairman Bill Ford a few minutes ago, and he started talking about a problem Kika de la Garza from Texas was having in his local service delivery area. They were teaching a bunch of people to be welders. The only problem was the people they were teaching didn't speak English, and there was no one that they could hire to teach them English, I guess, because of the cap that was on the supportive services. They were unable to do so.

So one of the things that concerns me in this—and I know, having read the testimony that Virgil will give later about Eastern Kentucky and other areas, that people have enough flexibility to provide a type of rural transportation or daycare type situations. It is demanded in individual areas. I am not sure of the best way of categorizing that. If you just put that in, calling that direct costs, and you change the definition, or whether or not you go ahead and try to do it. That is maybe the most politically acceptable way of doing it, but I am not sure of the best way to approach it. I would just like to get some feel from you as to your opinions on this. I haven't gotten it yet.

Mr. **Kolberg**. I think the point you make is a further elaboration of the points that both us made. That is, if you change the way you manage this program, and that is what I believe we need to do; case by case, rather than batches, as Phil says. Then I think—and also secondly, you are very careful to target much more carefully than we have ever been, so that you have people that are really terribly disadvantaged with several problems, then clearly, that is going to cost you more money. It is going to cost you management money. It is going to cost you services money. I don't think any of us know, Mr. Chairman, exactly what the right numbers are. More for administration and more for services; how much more? I don't think there is any way of knowing. I think the committee is probably going to have to grab a number that is a bit higher than what we have and say this is the best we know, and go with it.

Chairman PERKINS. Well, thank you. I think that is a fair answer.

Mr. POWER. Let me give you two ends of a continuum, because one end was brought up in testimony today. It seems pretty clear, at least from what Bill and I have been saying today, that we are pretty skeptical about on-the-job training. I am not convinced that it gets very much done. I am reasonably convinced that it is "cheap and dirty." It is a nice way to bang up your numbers. I am not sure what it does.

At the other job of the continuum, you have the Job Corps, which plainly costs a lot of money per person and plainly works. So the question the committee is going to have to deal with is: Are we serious about trying to provide serious training for people who need it? If we are serious about that, then we ought to measure and define what kind of training we are going to get, associate funding with the provision of that training, and take the political heat for spending the money that we have to do in order to get those outcomes.

Chairman PERKINS. I think that is a fair statement. I think what concerns many people is when you provide the level of services that are really going to be necessary, you are going to see the number of people that you are able to serve go down dramatically.

Mr. POWER. The question is: Do you want to produce numbers or do you want to produce results?

Chairman PERKINS. That is exactly right.

Mr. POWER. I guess I am a simple country newspaperman, and I prefer results.

Chairman PERKINS. I don't have any further questions. Steve, do you have any?

Mr. GUNDERSON. No, thank you.

Chairman PERKINS. I thank the two gentlemen for putting up with us for two hours, and we'll let you go on to greener pastures now.

Let's turn to the next panel. We have the Honorable John Gartland, President of the National Commission for Employment Policy; William A. Tracy, Chairman of the New Jersey Employment and Training Commission for the National Governors' Association; and Virgil Osborne, Executive Director of the Eastern Kentucky Concentrated Employment Program.

I see Shannon Bailey, also here with us from Kentucky. He is going to be the new Director of the CEP. We are certainly pleased to see Shannon as well.

Virgil, I hate to see you go. You have a good replacement coming in. I have read your report, and I thought it was very interesting. Why don't we start out with you telling us what you have to say today.

Mr. OSBORNE. Thank you, Mr. Chairman. It's a good thing we decided to get our plane cancelled until tomorrow.

Chairman PERKINS. Good move.

STATEMENTS OF VIRGIL OSBORNE, EXECUTIVE DIRECTOR, EASTERN KENTUCKY CONCENTRATED EMPLOYMENT PROGRAM; WILLIAM A. TRACY, EXECUTIVE DIRECTOR, NEW JERSEY EMPLOYMENT AND TRAINING COMMISSION, FOR THE NATIONAL GOVERNORS' ASSOCIATION; AND THE HONORABLE JOHN GARTLAND, CHAIRMAN, NATIONAL COMMISSION FOR EMPLOYMENT POLICY

Mr. OSBORNE. Good afternoon, members of the committee, Mr. Chairman. I would like to thank you personally for those kind remarks that you made at the beginning of the hearing on my behalf. I would like to say that over those 23 years that I have been down there, I have been the beneficiary of a lot of good advice and a lot of good help. You might say that I have had a kind of mandate to make sure that things in Eastern Kentucky went well in the field that we were working in. I can recall appearing several times before various committees and even the full committee when your father was the Chair of that committee.

I want you to know that we in Eastern Kentucky are, and the rest of the country should be, glad and proud that you are now able to continue the efforts that your father so much believed in and championed.

On behalf of the board of directors and the Private Industry Council of the Eastern Kentucky Concentrated Employment Program, Incorporated, I appreciate the opportunity to testify before the Employment Opportunities Subcommittee of the United States House of Representatives in regard to pending amendments to the Job Training Partnership Act.

I commend the efforts being made to improve the quality of the JTPA services reflected in the administration's bill. I greatly appreciate the Department of Labor's receptiveness to local input. The following issues and concerns are those that we in Eastern Kentucky feel should be given special attention by the Congress and the Department of Labor. Since you have read the testimony, Mr. Chairman and members, you will see that it is short and to the point.

I will start by referring to the categories. The first concern we have is the cost category. That has been mentioned and discussed by each of the previous panel members. There is a great deal of concern around the country about the current and proposed amendments to the regulations concerning the limits placed on the cost categories of administration, training, and support. As the rules sit, my organization is exempt from some of those limitations placed on these categories and other areas.

Our SDA has a large isolated rural area with virtually no transportation. The needs of our population are extreme: transportation problems, extreme poverty, high unemployment, and other social and geographic barriers to employment and training would totally inhibit effective JTPA services in our area if not for the fact that a waiver had been granted. This waiver has allowed participants to receive a stipend while in training and the means to stay in training. Without the stipend, they simply could not participate. The waiver has also provided the needed flexibility to make programming and training opportunities responsive to the participants' needs.

Currently the JTPA is being called upon to provide more intensive and long range services to an increasingly needy population. Our participants need to be motivated towards self improvement. They need various types of counseling. They need the most basic of basic skills and then job training. JTPA is being called upon to assess the various needs of the participant and then see that these needs are addressed.

We have heard about and witnessed the alarming decline of our skilled workforce and the widening gap between the poor and the rich. The goals set before JTPA are appropriate. I am here to testify, however, that under the current and proposed cost limitations, although better than the old, the JTPA system cannot respond effectively.

The current limitations contradict the call for long-term training. Participants must be supported while in training. The current and proposed limitations on support expenditures place SDAs in an impossible situation. At a minimum, the cost associated with assessment, counseling, case management, and 100 percent of work experience must be recognized as direct training expenditures.

So, obviously, the definition of cost is key. If it stays as proposed, we will have problems. A more practical method is to initiate two cost categories. I heard you asking the gentleman earlier about a suggestion from the standpoint of the cost of administration, training, and support. We would suggest the initiation of two cost categories: administration and services. The services category would include all the activities provided to the participant on behalf of the participant. This flexibility would allow the SDA to respond to participant needs while in training. Performance standards would ensure that skill training take place at the appropriate levels, if we were to be concerned about that.

The second area we would like to refer to is the performance standards, Section 124. The employability enhancements have become a paperwork nightmare. Philosophically, adult competencies make sense and should be encouraged in terms of legislative changes. However, there are two concerns: One, adult competencies should not divert the original intent of the law. The purpose of the JTPA is very clear: To reduce unemployment and dependency on welfare. Adult competency performance standards, if not worded carefully, would allow SDAs to claim positive outcomes without employment.

Two, adult competencies should not require the paperwork involved in the youth competencies. This would drastically increase cost beyond any benefit.

As for Youth Enhancement Standards, the current youth standards, measured yearly, inhibit long term training for youth at risk. SDAs with multi-year program designs for youth at risk will not exit these youth as attained enhancements every year. Youth who are in need of less training will be more likely to exit during the program year as attained employment and not enhancements. The current standards encourage shorter term training than what is needed for youth with severe barriers to employment. Youth standards should allow for more flexibility for program design.

Program Design, Sections 204 Adult and Section 254 Youth, is referenced here. The bill establishes specific activities for specific problems. In most cases, the activities required are realistic relative to the participant's needs. I support more intense and comprehensive services based on assessed need. However, the strength of the local delivery system established under JTPA stems from the flexibility to meet participants' needs and not the needs of legislation. Requiring specific activities for specific problems is especially a problem in rural areas. The specific activities needed may not be available at all times. Large geographic areas and limited resources have a bearing on what services are offered, and the bill must be tempered to accommodate them.

Fiscal Controls: Appropriate fiscal management in JTPA is very important and a priority for all administrators. It should be a priority for all administrators. The current language in the JTPA allows for States to design their own fiscal management, procurement and their cost determination systems to meet the specific needs of the State and local areas. The problem is that many of these systems have been questioned by the Inspector General and the Department of Labor in terms of their appropriateness.

Accounting standards and control standards are currently established under the OMB circulars as well as the AICPA standards. But by allowing too much flexibility to individual States, this is creating confusion, misinterpretation, and a waste of limited resources. The amendments should set minimum JTPA standards in accordance with Generally Accepted Accounting Principles and allow States limited flexibility to set up systems within the boundaries of these minimum standards.

In reference to establishing a State Human Resource Investment Council, Section 201, the establishment of State Human Investment Council is a very positive step towards improved service delivery and coordination. Current language, however, includes State employment services as a member but excludes representation from any SDA organization, except at the Governor's discretion. SDA representation should be mandatory to ensure that local concerns and issues are addressed. Local control is the central theme of JTPA.

Section 253, Youth Eligibility: I fully support the language in the administration's proposed amendments. This language retains the emphasis on economically disadvantaged youth, yet provides for coordination with existing information. Currently, many economically disadvantaged, high risk youth are not served because their parents are not available or do not cooperate enough to provide the system with the needed eligibility information for enrollment. Using free lunch and Chapter I records will allow the SDAs to provide services to those youth most in need and reduce the administrative costs.

Section 254, the Youth Program: As a condition of participation in the program, an individual under the age of 18 and a school dropout must enroll in and attend school or enroll in and attend an alternative high school, enroll in and attend an alternative course of study approved by the local educational agency, or enroll in and attend a high school equivalency program. This is good. In most cases, this will be very positive. However, these youths will not have access to JTPA services in cases where the youths have failed in the regular school system and no appropriate alternative program is available in his or her area. Flexibility in the language of this section to allow for waivers under specific conditions would solve this problem.

The Summer Youth Employment and Training Program, Title II-A of JTPA: The summer youth employment and training program should be retained under separate title. It has been an important program since 1964, and the specific goals of this program remain unchanged today. SDAs should continue to be encouraged to link activities under II-B and II-A.

A separate title is crucial to program flexibility. Many economically disadvantaged youth may not be in need of specific job training services or in need of a year round program. However, benefit from work experience and the financial assistance it provides in the summer far outweighs that.

The Youth Opportunity Unlimited Program, Section 492: The Secretary may, and I quote, reading from certain sections, "The Secretary may award grants directly to urban SDAs and to States for rural SDAs."

This appears to be biased toward urban areas. Rural areas like the rural CEPs, with high concentrations of poverty, should be eligible for grants through the Secretary. It should be specified that the administrative entity of the II-A funds of the JTPA must run the program.

The payments in regard to this program, Federal Share: The Federal share for the Youth Opportunity Unlimited Program funding is set at 50 percent. This match requirement is far too high for poor counties and rural areas, therefore, giving most SDAs little chance to realistically participate in this program. I believe this requirement should be eliminated for the poor SDAs like the rural CEPs, for instance.

Mr. Chairman, I would like to associate my comments and myself with the comments from, I believe, State Legislator Beard in regard to OJT. I think she put the OJT situation in pretty good perspective, and, contrary to some other testimony, I think it is a very viable program, especially in the rural area and for folks having a first time opportunity for employment. We would strongly recommend cleaning it up in places where it needs to be cleaned up, but having an OJT program is a very viable alternative, especially in the rural areas.

One other comment before I close, Mr. Chairman, for thought and consideration. I would like to offer to this committee the recommendation to reconsider the old concentrated employment program design and principle as maybe a method or mode to work towards the employment and training problems of the communities of this Nation. I think the CEP had some pretty good effects back home, concentrating all the resources that are available to deal with all the problems of employment training in the general population in the area.

Mr. Chairman, that concludes my testimony. Again on behalf of our board of directors and myself and Mr. Bailey, who, as you have said, will be assuming the responsibility of my position the 1st of June, I want to thank you again for having us here and giving us an opportunity to present this testimony.

[The prepared statement of Virgil Osborne follows:]

Testimony
JTPA Amendments
Virgil Osborne
Eastern Kentucky C.E.P., Inc.
May 21, 1991

Virgil Osborne, Executive Director of Eastern Kentucky C.E.P., Inc. for over twenty (20) years, submits this testimony with regard to pending amendments to the JTPA. The following issues and concerns are those areas that should be given special attention by Congress and the Department of Labor. On behalf of the Board of Directors and the Private Industry Council of the Eastern Kentucky Concentrated Employment Program, I appreciate the opportunity to testify before the Employment Opportunities Subcommittee of the United States House of Representatives. I also commend the efforts made to improve the quality of the JTPA services reflected in the Administration's Bill and greatly appreciate DOL's receptiveness to local input.

Cost Categories (Ref. Sec. 108-"Limitations on Certain Costs")

There is a great deal of concern around the country concerning the current and proposed amendments to regulations concerning the limits placed on the cost categories of administration, training, and support. As a C.E.P, my organization is exempt from the limitations placed on these categories. Our SDA is a large isolated rural area with virtually no public transportation. The needs of our population are extreme. Transportation problems, extreme poverty, high unemployment, and other social and geographic barriers to employment and training would totally inhibit effective JTPA services in our area if not for the fact that a wavier has been granted. This wavier has allowed participants to receive a $3.00 stipend while in training and the means to stay in training. Without the stipend they simply cannot participate. The wavier has also provided the needed flexibility to make programming and training opportunities responsive to participant need.

Currently, the JTPA is being called upon to provide more intensive and long range services to an increasingly needy population. Our participants need to be motivated towards self improvement, they need various types of counseling, they need the most basic of basic skills and then job training. JTPA is being called upon to assess the various needs of the participant and then see that those needs are addressed. We have heard about and witnessed the alarming decline of our skilled workforce and the widening gap between the poor and rich. The goals set before JTPA are appropriate. I am here to testify, however, that under the current and proposed cost limitations, the JTPA system cannot respond effectively. **The current limitations contradict the call for long term training.** Participants must be supported while in training. The current and proposed limitations on support expenditures place SDAs in an impossible situation. At a minimum, the cost associated with assessment, counseling, case management, and 100% of work experience must be recognized as direct training expenditures.

A more practical method is to initiate two cost categories, administration and services. The services category would include all the activities provided to the participant. This flexibility would allow the SDA to respond to participant need while in training. Performance standards would ensure that skill training take place at appropriate levels.

Performance Standards (Ref. Sec. 124)

The employability enhancements have become a paper work nightmare. Philosophically, adult competencies make sense and should be encouraged in terms of legislative changes. I have two concerns:

1. Adult competencies should not divert the original intent of the law. The purpose of the JTPA is very clear: To reduce unemployment and dependency on welfare. Adult competency performance standards, if not worded carefully, would allow SDAs to claim positive outcomes without employment.

2. Adult competencies should not require the paperwork involved in the the youth competencies. This would drastically increase cost beyond any benefit.

Youth Enhancement Standards

Current youth standards, measured yearly, inhibit long term training for youth at risk. SDAs with multi year program designs for youth at risk will not exit these youth as attained enhancements every year. Youth who are in need of less training will be more likely to exit during the program year as attained employment and not attained enhancement. The current standards encourage shorter term training than what is needed for youth with severe barriers to employment. Youth standards should allow for more flexibility for program design.

Program Design (Ref. Sec. 204 Adult and Sec. 254 Youth)

The bill establishes specific activities for specific problems.
In most cases the activities required are realistic relative to the participant's need. I support more intense and comprehensive services based on assessed need. However, the strength of the local delivery system established under JTPA stems from the flexibility to meet enrollee needs and not the needs of legislation. Requiring specific activities for specific problems is especially a problem in rural areas. The specific activities needed may not be available at all times. Large geographic areas and limited resources have a bearing on what services are offered and the bill must be tempered to accommodate them.

Fiscal Controls; Sanctions (Ref. Sec 115)

Appropriate fiscal management in JTPA is very important and a priority concern for administrators. The current language in the JTPA allows for states to design their own fiscal management, procurement, and cost determination systems to meet the specific needs of the state and local areas. The problem is that many of these systems have been questioned by The Inspector General and Department of Labor in terms of their appropriateness. Allowing too much flexibility to individual states has created confusion, misinterpretation, and a waste of limited resources. The amendments should set minimum JTPA standards in accordance with Generally Accepted Accounting Principles and allow states limited flexibility to set up systems within the boundaries of these minimum standards.

Establishment of State Human Resource Investment Council (Ref. Sec. 201)

The establishment of a State Human Investment Council is a very positive step toward improved service delivery and coordination. Current language, however, includes state employment services as a member but excludes representation from any SDA organization, except at the governor's discretion. SDA representation should be mandatory to ensure that local concerns and issues are addressed. Local control is a central theme of JTPA .

Youth Eligibility (Section 253)

I fully support the language in the administration's proposed amendments. This language retains the emphasis on economically disadvantaged youth, yet provides for coordination with existing information. Currently, many economically disadvantage, high risk youth are not served because their parents are not available or cooperative enough to provide the system with needed eligibility information. Using free lunch and chapter 1 records will allow SDAs to provide services to those youth most in need and reduce administrative costs.

Youth Program (Ref. Section 254)

As a condition of participation in the program, an individual under the age 18 and a school dropout must reenroll in and attend school, enroll in and attend an alternative high school, enroll in and attend an alternative course of study approved by the local educational agency, or enroll in and attend a high school equivalency program. In most cases this will be very positive. However, these youth will not have access to JTPA services in cases where the youth has failed in the regular school system and no appropriate alternative program is available in his or her area. Flexibility in the language of this section to allow for waivers under specific conditions would solve this problem.

Summer Youth Employment and Training Program (JTPA Title IIB)

The SYETP should be retained under separate title. SDAs should continue to be encouraged to link activities under IIB and IIA. A separate title is crucial to program flexibility. Many economically disadvantaged youth may not be in need of specific job training services or in need of a year round program, however, benefit from work experience and the financial assistance it provides in the summer months.

Youth Opportunity Unlimited (YOU) (Ref. Section 492)

The secretary may award grants directly to urban SDAs and states for rural areas. This appears to be biased toward urban areas. Rural CEPS with high concentrations of poverty should be eligible for grants through the Secretary and it should be specified that the administrative entity of Title II funds of the JTPA must run the program.

Payments, Federal Share (Ref. Section 496)

The federal share for YOU funding is set at 50%. This match requirement is far too high for poor counties and areas. I believe this requirement should be eliminated for Rural CEPS.

Chairman **Perkins**. Thank you very much for your fine testimony, Virgil. I'll ask you a few questions in just a few minutes.

I would like to now turn to the gentleman here in the middle, Mr. William Tracy, who is the Chairman of the New Jersey Employment and Training Commission for the National Governors' Association.

Mr. Tracy.

Mr. **Tracy**. Thank you very much. Good afternoon, Mr. Chairman and members of the committee.

My name is Bill Tracy. I have to turn down the promotion, Mr. Chairman. I am the Executive Director of the New Jersey Employment and Training Commission. I am here today to testify on behalf of the Nation's Governors for the National Governors' Association.

Overall, the Governors' Association is pleased with the efforts to redefine the JTPA system. We believe that many critical areas to improve the program have been addressed by this subcommittee. At the same time, NGA wishes to emphasize its belief that it is important to maintain the basic principles that guided the creation of JTPA 9 years ago.

The fundamental precepts of the Federal, State, and local partnership, the public-private partnership that Bill Kolberg endorsed earlier in this panel, the policy-making and managerial role for Governors, and the flexibility for State and local service delivery areas to develop responses that are unique to their needs are essential to the continued success of the Job Training Partnership Act, and we urge you to uphold these legislative principles in the committee's bill. In this regard, I would like to share several thoughts on areas of particular importance to the Governors.

First, coordinated human investment strategies: The Governors commend Congress' commitment to ensuring that States more effectively coordinate employment, training and education programs and urge that you provide Governors with the option of consolidating oversight and planning for their employment, training and vocational education programs into a single council, and encourage the creation of such councils through incentives. for example, providing specified funding for these councils in the legislation.

Also, the Governors urge a provision in the flexibility and size and the composition of the councils or the commissions to address all appropriate constituencies without having to try to force feed some of the requirements of several boards and commissions.

Third, the Governors propose that as in the Department of Labor's discussion draft, to seek a waiver, the ability to seek a waiver from any statutory or regulatory provision which would impede a State's ability to accomplish these basic goals.

Lastly, in this context, allow the States the portion of developing a single workforce preparation plan which could be submitted to the various Federal agencies in lieu of current individual plans such as JTPA, Perkins, Adult Education, JOBS, et cetera.

Many of the States are beginning to come to grips with this on their own, Mr. Chairman. In New Jersey, for example, the Governor has taken the initiative and Governor Florio has established a consolidated Human Investment Council that has been framed in State legislation. This council was established in 1990 and is charged in State law to design, plan, and coordinate all occupational education and workforce readiness services across all cabinet departments in the State.

During its first year of operation, the Commission has developed recommendations which have been accepted and are in the process of being implemented by the Governor and the cabinet, to consolidate 64 distinct programs which operated in 6 departments of State government into 15 program areas in 3 departments of government.

The Governor has also accepted the recommendations of an occupational education task force of the Commission, which established recommendations similar to the articulation and tech prep provisions of the new Perkins Act. I would like to just share very briefly with you one example of the kinds of connections that are possible through the State Human Investment Councils.

In the southern part of New Jersey, in the field of computer integrated manufacturing, there is an excellent example of education and public-private partnerships between all the county colleges and vocational/technical schools in the southern part of the State that are connected through Camden County Community College to develop an associate's program in computer integrated manufacturing.

New Jersey Institute of Technology, which is the State's premier engineering institute and the State college system will accept full faith and credit. So, in essence, students in New Jersey, whether they are youths or adults, can connect at the secondary, associate's, and bachelor's level and plug in, whether they are displaced workers or whether they are students going through a primary education system, to a variety of technical titles and technical opportunities. Through the commission, we hope to expand this concept and make this a norm.

Additional recommendations of the Governor's Association are that there needs to be improved targeting that allows for flexibility. At the same time, Governors urge that the commitment to targeting not constrain State and local ability to fashion and support activities consistent with the goal of serving the most in need and responsive to local circumstances. Specifically, we urge that the legislation establish that service delivery areas, with the approval of the Governor, have an option of designating an additional serious barrier to employment beyond those which are established in Federal legislation.

The Governors agree that it is imperative that the youth program target those most at risk. However, it is also important that the amendments acknowledge that what comprises youth most at risk varies across the country and even within a single State. Setting a 50 percent floor on the out-of-school youth would be detrimental to those States that have established successful in-school programs in an attempt to reduce the dropout rate. It would appear that we should support programs designed in conjunction with the educational system which are aimed at dropout prevention and increasing school achievement.

The Governors recommend a separate or endorse a separate youth and adult title and urge that the option be available to each service delivery area to establish a separate summer program within the youth title.

The Governors also endorse greater accountability and support the programmatic reforms which are in the committee's bill. We recommend strongly additional language and encouragement and resources for capacity building within the practitioners of the system.

Also, the Governors recognize that it is necessary to improve program integrity and to support the approach outlined in the Department's discussion draft. The Governors do not, however, support the wholesale implementation of OMB circulars into the JTPA program.

I think in short, Mr. Chairman, that the Governors feel that they would like the committee to tell them what to do, not how to do it, and let them exercise discretion in determining how to set up the fiscal safeguards to meet the committee's needs.

In closing, the Governors also encourage the committee to address the capacity in small States through an allowance for an administrative minimum and recommend that a sufficient time period for a smooth transition for these amendments be placed into the legislation so that States and service delivery areas can respond to these changes.

Thank you, Mr. Chairman.

[The prepared statement of William A. Tracy follows:]

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STATEMENT OF

WILLIAM A. TRACY
EXECUTIVE DIRECTOR
NEW JERSEY EMPLOYMENT AND TRAINING COMMISSION

FOR THE NATIONAL GOVERNORS' ASSOCIATION

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

COMMITTEE ON EDUCATION AND LABOR

U.S. HOUSE OF REPRESENTATIVES

HEARING ON
AMENDMENTS TO THE JOB TRAINING PARTNERSHIP ACT

MAY 21, 1991

Thank you, Mr. Chairman and members of the Committee. I am William A. Tracy, Executive Director of New Jersey's Employment and Training Commission.

I appreciate the opportunity to testify today on behalf of the nation's Governors. The Governors have promoted reforms in welfare, administrative financing for the Employment Security and Unemployment Insurance, child care, education and dislocated worker training programs. They have been deeply committed to supporting initiatives that will enable this country to better develop our human capital. When skilled labor joins the list of scarce resources, it is critical that we carefully examine the extent to which our job training programs are preparing our workforce.

We welcome you to your new post as chairman of this subcommittee and thank you for taking an interest in what we believe is major priority of Governors in this nation -- preparing all Americans for the jobs of the 1990s.

Overall, we are pleased that efforts to refine JTPA address many of the critical areas that we believe can improve the program, but at the same time maintain the basic principles that guided the creation of the Job Training Partnership Act nine years ago.

We commend the Congress for your foresight in establishing when JTPA was originally enacted in 1982 the following four guiding principles. We urge that these be maintained as the bedrock for future amendments. The principles you established were that:

- "The legislation must provide for the involvement of the private sector in the design and administration for training programs..."
- "Job training legislation must recognize the true principle of federalism...The new JTPA legislation will recognize the role of the state in all local programs and end the excessive involvement of the federal government."
- "Job training legislation must be training legislation and not an income maintenance program."
- "Legislation must insist on performance."

We strongly believe that such fundamental precepts as federal, state, and local partnerships, the policy-making and managerial role of the Governors, and the flexibility for states and local service delivery areas to develop responses that are unique to their needs are absolutely essential to the continued success of JTPA. We urge you to uphold these legislative principles in the committee's bill.

In this regard, I will share with you several thoughts on areas of particular importance to us -- facilitating Governors efforts to establish coordinated human investment strategies, improving targeting, establishing a separate youth and adult title, developing and improving methods for assuring accountable, quality programs, and reforming performance standards.

DEVELOPING A COORDINATED HUMAN INVESTMENT STRATEGY

The Governors commend Congress' commitment to ensuring that states more effectively coordinate employment, training, and education programs. It is important for you to recognize the importance of coordination and to provide Governors the opportunity to integrate the planning and oversight of JTPA and other human investment programs, as appropriate, within their states.

The Governors urge you to:

- provide Governors with the option of consolidating oversight and planning for their employment and training and vocational education programs into a single council, and to encourage its creation through incentives, for example by providing funding to staff the council.
- provide Governors with flexibility in both the size and composition of the Human Resources Investment Council.
- enable Governors, as proposed in the Department of Labor's discussion draft, to seek a waiver from any statutory or regulatory provision which impedes the state's ability to accomplish the basic goals of JTPA, for example reducing the high school dropout rate or increasing literacy levels. This would facilitate an outcome oriented approach to performance.
- allow states the option of developing a single workforce preparation plan which could then be submitted to the various federal agencies in lieu of the current individual plans now submitted for JTPA, Perkins, Adult Education, JOBS, etc.

In many states, such as in New Jersey, the Governor has taken the initiative to set up a consolidated human investment council. Established in state law in 1990, the New Jersey Employment and Training Commission is designed to plan and coordinate occupational education and workforce readiness services across the jurisdiction of all cabinet departments in the state. The membership satisfies the requirement of the State Job Training Coordinating Council (SJTCC), and works very closely with the membership of the State Council on Vocational Education.

The Commission is established on the basis of two principles: all activities are labor market driven and all services are customer focused.

The following are several of the results from the Commission's first year:

- State-level agencies were consolidated from 64 distinct programs operated by 6 government departments into 15 program areas in three departments.
- The Commission established an occupational education task force that developed a new approach to looking at secondary and postsecondary occupational education, including a new definition for occupational education based on function and not program or grade level.
- The Commission strongly endorsed linking various levels of schooling (e.g. high schools and two-year colleges) with the private sector so that lifelong learning can be a continuous value-added experience for the "customer."

The pioneering efforts in southern New Jersey in the field of "computer integrated manufacturing" (CIM) are an excellent example of a successful partnership between educational institutions and the private sector. Camden County Community College serves as the centerpiece of this CIM educational program. All of the area county colleges, with linkages to the secondary schools and the New Jersey Institute of Technology, offer students a range of career options in this cutting edge field. As this program evolves, students in secondary schools will be able to pursue a career path that will take them through four years of college. The CIM centers contain a "model factory" where companies can begin experimenting with sophisticated production techniques to decide whether they are technically or economically feasible. At the same time, as new methods in computer-based programs in engineering, design, and manufacturing become available, workers can receive training from the county colleges.

Washington State Governor Booth Gardner signed into state law last week a law that creates a tripartite Workforce Training and Education Coordinating Council, made up of 9 representatives from business, labor, and state government. Modelled on the German system, this advisory body has broad authority to establish statewide workforce preparation policy. Washington sought to consolidate all workforce preparation policy advisory boards into a single council, but because of the different membership requirements for the Carl Perkins Vocational Education and the JTPA councils, they were unable to do so. Washington's compromise was to make the new council a part of the JTPA Council, and to leave the federally mandated vocational education body intact.

If, on the other hand, Governors had the authority to waive the composition and fixed membership requirements of Councils under existing law, states could implement coordinated human investment strategies without having to go through so many contortions.

The Governors suggest that there is not one single approach to the development of a coordinated human resource strategy, but rather that you facilitate and reward state efforts to integrate human resource development policy and planning by expanding opportunities for flexibility .

I would be happy to provide you with more information about the New Jersey Employment and Training Commission.

GREATER ACCOUNTABILITY:
THE NEED FOR IMPROVED TARGETING THAT ALLOWS FOR FLEXIBILITY

The Governors commend efforts to more specifically target JTPA programs to our most needy, most at-risk, citizens. They support amendments that would require that participants experience barriers to employment beyond being economically disadvantaged. Governors agree that they must work to ensure that individuals lacking in basic skills, with a history of long-term dependency on public assistance, or with limited or troubled work histories are the priority of this program.

At the same time, the Governors urge that the commitment to targeting not constrain state and local governments' ability to fashion and support activities consistent with the goal of serving the most in need, but responsive to local circumstances. The nature of the at-risk or chronically unemployed population in Ashland, Kentucky may be very different from that in Camden, New Jersey, or Black River Falls, Wisconsin.

Specifically, we urge that the legislation establish that the Service Delivery Area (SDA), with the approval of the Governor, have the option to designate an additional serious barrier to employment beyond those established in the federal legislation. The determination would be based on the demographics and specific needs of the area. We expect that the administration's proposal will include this provision.

The Governors agree that it is imperative that the youth program target those most at-risk. However, it is also important that the amendments acknowledge that what comprises youth most at risk varies across the country and even within any single state. Some -- particularly rural -- areas do not have as severe a dropout problem as others, and yet may still have a significant number of individuals who are economically disadvantaged and lack the basic and/or vocational skills necessary to obtain and retain a job. There are a number of factors that may contribute to an individual being at risk, including but not limited to not having completed high school. Setting a 50 percent floor on out-of-school youth would be detrimental to those states that have established successful, in-school programs in an attempt to reduce the dropout rate. It would appear that we should support programs designed in conjunction with the education system, which are aimed at drop-out prevention and increasing high school achievement, given that this is one of the most important goals of JTPA and is consistent with the National Goals for Education.

It is critical that the legislation be extremely clear on the need to target individuals with multiple barriers, but at the same time not be so prescriptive that it prohibits Governors from crafting solutions that accommodate the circumstances in their state, or a particular area within the state.

A SEPARATE YOUTH AND ADULT TITLE

The Governors support changes to create a distinct youth and adult title. By creating a separate youth title, targeted to out-of-school or in-school at-risk youth, the legislation acknowledges that youth require a unique package of solutions, one that is highly coordinated with our educational system. The Governors urge you to establish a separate youth and adult title, with the option available to each SDA to establish a separate summer program. This will allow the flexibility to conduct year-round youth programs as well as serve economically disadvantaged youth who can participate only during the summer months.

Rather than mandating that each summer participant also engage in a year-round activity, we would encourage you to adopt the approach taken by your House colleagues last year. That proposal established that each SDA develop an assessment and service strategy for each participant. If participation in a year-round program fits the client's needs, she or he could enroll.

I should mention as well that the Governors support the Youth Opportunities Unlimited Program, provided that grant applications are submitted with the approval of Governors, funding for the demonstration programs is administered through the state, and the grants are funded only after the primary youth and adult titles have at least level funding with an adjustment for inflation. Given the legislation's focus on accountability and coordination, it would seem counterproductive for individual SDAs to be developing programs that may not be fully reconciled with the Governor's priorities and overall strategy for service delivery.

GREATER ACCOUNTABILITY: IMPROVEMENTS IN PROGRAM QUALITY AND INTEGRITY

When releasing the National Education Goals last year, the President and the Governors stated, "At present, neither federal nor state and local laws and regulations focus sufficiently on results or on real educational improvement for all children...In a word, we want to swap red tape for results."

Programmatic Reforms

The Governors believe that programmatic reforms, like those proposed in the administration's bill this year and put forth by both the House and Senate during the last Congress, will substantially improve program quality. Specifically, the Governors support the emphasis on serving individuals with multiple barriers, the focus on attaining education and basic skills increasingly necessary in the workforce, and the importance the proposed reforms place on establishing comprehensive statewide strategies in cooperation with education programs. The education-training partnership must be extended beyond coordination and linkage within a single designated set-aside program as is the case with the existing "8 percent" program, into an integrated service delivery structure woven throughout the system, as would be the case with the proposed "5 percent" linkage and coordination program.

Capacity Building

In addition, we urge you to invest in research and development, technical assistance, and capacity building at the national, state, and local levels. If we are going to achieve JTPA's goals with a more seriously disadvantaged population, we must enhance the system's capacity. Specifically, the Governors support grants for replication of model programs (so long as the central titles receive level funding plus an increase for inflation), as well as a state set-aside for capacity building.

Program Integrity

Simultaneously, the Governors recognize that it is necessary to strengthen measures to improve program integrity and support the approach outlined in the department's discussion draft. The Governors do not support the wholesale implementation of OMB circulars onto the JTPA Program primarily because they will not address the problems we all intend to correct and will force states to duplicate accountability and accounting procedures already in process.

Annually states raise and expend over $400 billion from their own sources; for these funds we must develop procedures that ensure the integrity of our accounting and procurement practices. To force states to apply a different set of practices for the implementation of federal programs is duplicative without any guarantee of effectiveness. We also believe that a national mandate of OMB circulars is inconsistent with the original goals of JTPA, outlined at the onset of my testimony.

If a specific problem needs to be addressed in implementing or enforcing state practice or in the practice itself, we should fix the problem, not overlay an additional crosscutting system.

Specifically, the Governors support imposing and enforcing the following set of reforms, outlined in the administration's proposal. The Governor would be required to:

- establish fiscal control and accounting principles consistent with Generally Accepted Accounting Principles (GAAP);
- prescribe, implement, and monitor procurement standards to ensure fiscal accountability; and
- report to the Secretary regarding the above on an annual basis.

Ensure Capacity in Small States Through An Allowance for An Administrative Minimum

In addition, the Governors urge you to provide small states with a guaranteed minimum amount of administrative dollars. Regardless of the amount of dollars for which they are responsible, small states must establish policies for Governors, design and conduct acceptable monitoring practices, provide technical assistance, review and evaluate programs and other related program plans, and generally carry out the same administrative functions as other states. These responsibilities would grow with the proposed changes to JTPA. Because many states have not had adequate administrative funds, field monitoring, for example, has suffered. This is precisely the type of activity that is necessary to ensure program integrity and to prevent fraud and abuse.

Although ensuring that each state receive at least $600,000 in administrative funds would cost approximately $5 million and $450,000 would cost approximately $2.7 million, the JTPA Liaisons Group and the State Job Training Coordinating Council Chairs support this proposal. Both organizations represent all of the states.

Modifications to Existing Performance Standards

The Governors support modifications to existing performance standards to reflect the greater focus on service to individuals with multiple barriers to employment. They consider it a critical acknowledgement of the multistep process involved in closing the employment gap, and are particularly pleased that pending proposals have added the attainment of basic or employability enhancement skills to the factors which will measure performance.

At the same time, it is imperative to keep in mind that changing the emphasis of JTPA will mean it will involve a greater investment of time and money to achieve similar results with a more difficult population. How long and how difficult it will be depends on the precise standards the Department of Labor develops.

The Governors would encourage you not to legislate that the Secretary develop separate performance standards for the hard-to-serve, which might inadvertently lower expectations for different segments of our population. They believe that the current performance management system and incentives, including the state role in administering incentive policy, offers sufficient opportunities for Governors to target and reward services to hard to serve clients.

COMMENTS ON OTHER PROVISIONS

I would like to touch quickly on several other matters: the JTPA system's capacity to accommodate JTPA amendments; the increased costs of serving clients under the amendments; a proposal to "sunset" JTPA in 1997; and proposals to carve distinctions in the continuum of services we provide clients.

Ensuring A Smooth Transition

The Governors are deeply committed to adapting their job training systems to the changes brought about by these amendments. At the same time, they caution that the response may be more wrenching to the system than some might expect. It will be imperative that the federal government, states, and SDAs are provided with sufficient funds to refine their operations, build their capacity, and provide ample and timely technical assistance. Moreover, it is important that we develop a reasonable implementation timeframe-- i.e. a full calendar year for the reforms which will require new or revised capacity.

Increasing JTPA Costs

Because JTPA will be working with a more disadvantaged, lesser skilled population, inevitably the cost of achieving success will increase. With existing appropriations levels, in Program Year 1989, Title IIA of the Job Training Partnership Act served less than 3 percent of the economically disadvantaged individuals in this country. It will be very important that the Administration and Congress maintain a sustained commitment to appropriating sufficient funds to effectively tackle the kind of comprehensive training programs embodied in these amendments. Obviously, it would be counter-productive if these amendments led to reductions in our levels of service. We estimate that the cost of each success story subsequent to the JTPA amendments will be double today's -- a worthy investment, but essential to consider in determining funding levels.

Sunset Provision

The Governors oppose the Administration's proposal to sunset JTPA in 1997. JTPA was purposefully created by Congress in 1982 with a permanent authorization, so as to guarantee some continuity in training services to this nation's economically disadvantaged individuals and to assure government's private sector partners of the permanency of the program. If changes to JTPA are necessary -- as they are now -- there is nothing to prevent the Congress from pursuing these reforms. However, to put the program on a forced review schedule eliminates the guarantee of stability and may in fact prevent the program from being amended at a time when it is appropriate to do so.

Cost Categories

If, as the thrust of this amendments process suggests, the JTPA program is going to target a more extensive array of services on individuals with serious barriers to employment, counseling and assessment will play an increasingly important role. However, if, as the Department proposes, a fourth cost category is added to the three already present, and assessment and counseling are not considered direct training, efforts to incorporate these components into our service delivery will suffer. The mix of proper services will vary a great deal from client to client, yet the creation of a fourth category with specific percentage ceilings for each presupposes a fixed approach to meeting clients' needs.

The Governors see no advantage to drawing a seemingly arbitrary distinction between the continuum of assessment, counseling, and training services provided directly to clients that help us achieve our goal of placing youth and adults in quality jobs. Adding a fourth cost category will also have the effect of increasing SDAs' administrative burden because of the necessity for additional tracking, thereby detracting from services to clients. For very disadvantaged individuals, building self-esteem, for example, is particularly important and often a necessary precursor to training.

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I speak on behalf of the Governors when I thank you again for your leadership in helping the JTPA system evolve into a program which can more effectively address the demands of our current labor market and the critical needs of our workers.

We look forward to working with you as you continue work on the amendments to the Job Training Partnership Act, and would be happy to answer any questions you have this afternoon.

Chairman PERKINS. Thank you, Mr. Tracy.

There is a response that members of Congress have, Mr. Pavlov talked about it years ago, when bells go off. So we are going to take a short minute while we go and respond to these bells one more time.

We'll have a short recess and we'll be right back. Thank you.

[Recess.]

Chairman PERKINS. Having returned from that irresistible urge, we now move on to the next guest that we have with us today. We are very pleased to have with us today the Honorable John Gartland, Chairman of the National Commission for Employment Policy.

Please feel free, as I said earlier, to shorten and summarize.

Mr. GARTLAND. I will try to summarize the summary. Last night, I did a 5 minute summary. Let me quickly go through the summary of the summary.

As you have heard, flexibility is the cornerstone of JTPA. The things that I am going to tell you now the Commission has approved from the research that we have done.

First of all, we strongly recommend the retention of the 8 percent set-aside. We feel that that is very important.

Number two, we strongly recommend the retention of the Summer Youth Employment and Training Program. We can get into this again if you would like to. I would have loved to have been on the first panel to answer some of your questions. But again, we feel very strongly on that.

There is one thing that we bring out now that we feel is very important. It is a kind of breakthrough. Your staff is aware of it, that we are now using the Unemployment Insurance data in a study to evaluate JTPA and the post program. We think this will give a much greater benefit to those States where it can be used. We have some further study on it. We have to worry about the confidentiality, which is another part of the study that we are doing now. We have added more States to it. I hope by this fall, we will have some real recommendations to you from the Commission on this matter.

The other thing is that we do want to endorse the establishment of the Human Resource Investment Councils at the State level, but we would like you to establish three-year terms or some function of terms, and also establish a process whereby the Governor designates the chairman and appoints members on a staggered basis. But when a new Governor comes in, you do not just erase the whole council and start over again. There is a long learning period in the JTPA. I know from experience.

I would like to read something else because I think it is important. Another concern that we have is about food stamp program involvement in JTPA. First, we recommend that "recipients of food stamps" as an eligibility of JTPA should be replaced with "eligible for food stamps." We have found that current eligibility requirements have an unintended effect of encouraging and creating an incentive for people to accept food stamps if they want to enter JTPA. Or the effect that if they don't want food stamps, they don't come into the program.

Secondly, a similar problem would arise when the number of people on food stamps was used in the allocation formula. This also could give an unintended incentive to enroll people in food stamps to enlarge your JTPA allotment.

We understand, and we just realized this the other day, that some agencies are asking the Census Bureau to investigate the feasibility of developing income data for local areas that would be available between censuses. This data could prove useful for the JTPA allocation formula. We are very encouraged, and we are going to be pushing on this to see if something could be worked out.

Thank you, Mr. Chairman. We would be glad to answer any questions.

[The prepared statement of Hon. John Gartland follows:]

TESTIMONY OF

JOHN C. GARTLAND, CHAIRMAN

NATIONAL COMMISSION FOR EMPLOYMENT POLICY

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

U.S. HOUSE OF REPRESENTATIVES

MAY 21, 1991

On behalf of the National Commission for Employment Policy, I wish to thank Chairman Perkins and Members of this Subcommittee for the opportunity to share with you the Commission's views on amendments to the Job Training Partnership Act.

My testimony is based on the Commission's findings and recommendations as well as Commission-sponsored research. Some of the suggestions were offered two years ago in testimony presented to the Subcommittee on Employment and Productivity in the U.S. Senate and the Committee on Education and Labor in the U.S. House of Representatives. Many suggestions are new: they are based on research completed after the earlier testimony had been presented.

My testimony focuses on major issues that have surfaced about the Job Training Partnership Act (JTPA) since I last presented testimony. One issue relates to pressures to centralize decision-making at the federal level. A second issue concerns the need to strike a balance between increasing the human capital of economically disadvantaged individuals and providing them with financial support. Third, there is a need for states and SDAs to increase their efficiency, cost- and program-effectiveness. And finally, there is a concern over equity of access to JTPA programs.

I will discuss these issues -- and indicate the Commission's recommendations -- using as the frame of reference, one of the principles on which JTPA was established: New Federalism. New Federalism shifted responsibility for JTPA to the states and local areas and gave them flexibility in how they operate their programs.

For several reasons flexibility for states and local areas [specifically, Service Delivery Areas or (SDAs)] is even more important than it was in the early 1980s.

o Not only is the nation's population becoming increasingly diverse, but also the dimensions of this diversity differ among states and localities. For example, the size of the immigrant population varies widely from state to state and city to city. Also, the level of education and training of different immigrant groups varies widely. As a result, individual local education and training systems are experiencing demands of different types and degrees. In some places, there is a tremendous need for programs to include both basic skills and English as a second language (ESL) issues; in other localities the need is more focused on ESL programs; and in still other places, where there are few immigrants, the need is for basic skills remediation and dropout prevention within our native-born population.

o States and local areas are experiencing budget constraints to different degrees. Moreover, among localities that must cut back programs, there are variations in the extent to which funds from either state or private sector sources are available to "pick up the slack."

o Since the early 1980s there has been an increase in the number of federally sponsored employment and training programs and there has been an increasing emphasis on program coordination. Since JTPA was enacted, separate federal employment and training programs have been established for food stamp recipients and welfare recipients. These program now co-exist at the local level not only with JTPA programs, but also with older programs such as the Employment Service and the vocational education system. Each of these programs has its own rules, regulations, administrative structures and incentive systems. It is the responsibility of state and local officials to link these programs to achieve greater cost-effectiveness and more "user friendly" program access for potential clients.

First, I would like to discuss a JTPA program where flexibility versus centralization is a major issue. The program is the 8-percent education-coordination set-aside.

Two years ago, my testimony indicated that the Commission was in strong support of this set-aside. These funds have been invaluable to the JTPA system as a reserve for innovative programs. In our research on JTPA programs for the homeless, we heard how state and local programs rely on 8-percent funding for pilot projects.

In addition, witnesses at hearings held across the nation told the Commission how these resources were instrumental in funding English as a second language programs. In our report, Training

Hispanics: Implications for the JTPA System, the Commission recommended the set-aside be supported until the Department of Labor had undertaken additional research on its uses and shared its findings with Congress and the states.

Since that time, we have undertaken some of this research at the Commission. We have several findings.

As you know, the current education-coordination set-aside has an 80/20 split. At least 80 percent of the funds must be used to provide education and training services to eligible participants through cooperative agreements between education and JTPA agencies. Not more than 20 percent of the set-aside may be used for coordination of education and training services.

One of our findings is that states use the 20-percent portion of the set-aside for a variety of coordination activities. These funds allow the states to have flexibility in establishing criteria for designing activities with other relevant employment and training programs.

Second, the absence of federal performance standards allows the states to use the 80 percent portion of the set-aside to serve those economically disadvantaged individuals who are the "hardest to serve." This is not to imply that the "hard to serve" are not being served in Titles II-A and II-B; rather the 8-percent programs are more likely to serve the harder to serve.

Although there are no federal performance standards for the 8-percent programs, the Commission found that many states have established benchmarks or goals for measuring outcomes. These benchmarks are less stringent than regular JTPA Title II performance standards since the majority of 8-percent programs are focusing on the "hardest to serve" youth and adults.

Third, as you know, the current 8-percent program allows 25 percent of the 80-percent portion to be used to serve non-economically disadvantaged individuals. This "window" has proven to be useful: while some individuals do not technically meet the JTPA eligibility criteria, they nevertheless have serious barriers to becoming employable and are usefully served by the program.

The Commission recommends retaining the 8-percent education coordination set-aside.

In accordance with Sec. 163 (a) of JTPA, "The Secretary is authorized to monitor all recipients of financial assistance under this Act to determine whether they are complying with the provisions of this Act and regulations issued under this Act," the Commission recommends that the Secretary of Labor, through a technical assistance guide or other guidance memoranda, clarify the Department of Labor's interpretation of "coordination" and explain how the Sec. 123 funds can be used to further improve coordination among JTPA, education, and other relevant agencies. This explanation should include specific examples of options for allowable activities in the areas of contracting, procurement, technical assistance, and programs. The Secretary of Labor should provide states with full information as to the standards and requirements that will be used in the Department of Labor's monitoring and oversight activities.

With regard to the percent of funds that can be spent on non-economically disadvantaged individuals, the Commission recommends that it be reduced from 25 percent to 10 percent. We recommend retaining a percentage of funds for states who have a need for serving those with serious barriers to employment even though they do not technically need the JTPA eligibility criteria. However, based on the Commission's research, most states do not fully utilize the 25-percent window since they have many economically disadvantaged individuals in need of services.

The second issue I noted at the outset is a need to strike a balance between providing economically disadvantaged people with training and with financial support.

In previous testimony I indicated that the Commission supported retaining the Summer Youth Employment and Training Program (SYETP). The Commission continues to support this program. Summer employment programs for economically disadvantaged youth are essential.

Moreover, the Commission has found that states and localities differ in their ability to support summer programs on their own. There are differences among SDAs in the extent to which they have access to funds for summer youth programs from sources other than JTPA. Specifically, urban SDAs tend to have more alternative sources of funds than rural SDAs. For urban SDAs, using JTPA summer youth funds for a year-round program can be a viable option. Rural SDAs do not have alternative sources of funding to the same degree.

In addition, the extent to which SDAs have non-JTPA funds for a summer youth employment program can change from one year to the next. I want to illustrate this point by referring to last Saturday's article in the Washington Post on summer jobs for youth.

> "...More than 10,000 teenagers have signed up for the summer job program already, far more than Mayor Sharon Pratt Dixon's deep budget cuts or the city's business community, now reeling from recession, will likely be able to accommodate. [Cori] Duvall [an applicant for a summer job] has heard all of that talk, but she wasn't budging. 'I need a real job, and this is my best chance,' she said..." Washington Post "Gambling on

Summer Job in D.C.," p.B1 (Saturday May 18, 1991).

In the Commission's study of the summer youth program the major finding that emerged was: SDAs want to retain their current flexibility.

As you know, currently the Title II-A program combines adult and youth funding into a single allocation; each SDA is required to expend a minimum proportion of II-A funds on youth (in most SDAs, 40 percent). SDAs may spend more on youth than their expenditure requirement. Some SDAs -- placing a strong emphasis on youth services -- spend up to 70 percent of their II-A allocation on youth. The strongest statistical finding from the research is that SDAs want to retain this flexibility to shift funds from adult to youth programs.

Almost half of the SDAs in our study (49 percent of the over 240 SDAs who responded) rank a year-round youth title as having a potentially strong negative impact since it would eliminate SDAs' flexibility. Nearly three quarters (74 percent) reported that such an option would have either a negative or strongly negative impact. Also, 70 percent of the respondents ranked a youth program that retains a separate summer component, but eliminates local spending flexibility, as having a potentially negative impact.

The Commission concurs with the SDAs' views. The flexibility granted to SDAs to determine the employment and training needs of their communities and design programs to best meet those needs is a key element of the original JTPA legislation.

The past efforts of the Department of Labor to encourage, not mandate, SDAs to add an educational component to the summer program struck the appropriate balance between financial support and training. SDAs too have struck a balance, the balance that seemed appropriate to them. For example, using the flexibility in the current system, over 80 percent of the SDAs that our researchers contacted transferred at least some youth program participants between Titles II-A and II-B.

On the issue of states' and SDAs' need to increase their efficiency, cost- and program-effectiveness, the Commission has several projects. The Commission has undertaken research that examines how program efficiencies can be achieved at all levels of administering employment and training programs. The issues have ranged from streamlining eligibility and requirements at program intake to improving the cost-effectiveness of data collection on the programs' outcomes.

One potential area for achieving program efficiencies is in the use of state Unemployment Insurance (UI) wage records to evaluate JTPA outcomes. The Commission believes that UI wage records have great potential as a source of data on outcomes which can be used in evaluating the JTPA program. The UI data show great promise as a cost-effective way to measure post-program outcomes than the current survey of JTPA participants undertaken 13 weeks after they complete the program.

I am basing this statement on the preliminary findings of a Commission project on the feasibility of using UI data to evaluate JTPA. The project -- which will involve 19 states and three program years by its conclusion -- is well underway. Specific findings to date are quite encouraging:

- UI wage records have been linked successfully to JTPA administrative records for 15 states and Program Years 1986 and 1987.
- The linked data have been used to track the employment and earnings of different groups of JTPA participants, such as minorities and welfare recipients, for up to two years after they receive training services.

The first report from this project was released this spring; other reports are due this fall.

The Commission is currently working with the Department of Labor to test the feasibility of using the UI data in the Department's performance standards system. The Commission is also canvassing the JTPA and UI agencies in all the states to assess their capacity for data-sharing and to develop an appropriate approach for meeting confidentiality provisions in the states' laws.

Preliminary results indicate that the UI data could be offered to the states as an optional method for evaluating post-program outcomes under JTPA. This would both increase the system's flexibility and save on administrative costs. However, until it has addressed the full range of technical and administrative issues involved in the use of UI data, including the critical issue of privacy and confidentiality the Commission does not want to make any recommendations at this time.

The Commission plans to develop its recommendations later this year. In any event the Commission anticipates that these recommendations could be implemented by the Department of Labor without any legislative changes to JTPA.

Second, a little over a year ago, the Commission initiated an examination of the federal and state program coordination problems in government-sponsored programs for the economically disadvantaged. Our findings have led us to conclude that serious and concerted action, involving both the President and the Congress, must be made to improve coordination among and between these programs.

Let me emphasize that we are not looking at coordination for coordination's sake. We expect that the adoption of our recommendations will lead to significant improvements in federal public assistance programs. Over time, these improvements should lead to an administrative environment that allows for increased program participation and the allocation of savings from program administration and towards assistance activities.

Over the past 12 months, the Commission has met with dozens of people involved in the public assistance system. We have also conducted in-house and sponsored research. Rather than describe the entire project, let me just mention the phase that we are in at present, which happens to be the most interesting and exciting phase of this project. The Commission is sponsoring a series of seminars focusing on improving coordination in government-sponsored public assistance programs. The first seminar, which took place in Washington, D.C. on March 27th of this year, focused on national-level issues in coordination. We held a second seminar, focusing on state-level coordination issues, only two weeks ago in San Antonio, Texas. The third seminar, which will address local coordination issues, is scheduled for July in San Diego, California.

These seminars have been most advantageous for the Commission. We have had the opportunity to hear from senior White House and Executive Branch officials, agency staff, Congressional staff, public policy experts, state and local government officials, and interest group representatives involved in administering, analyzing, critiquing, or overseeing public assistance programs.

The Commission has just spent part of the past two days discussing and reviewing the recommendations that it will be sending to the President and the Congress in the fall. At this time, the Commission recommends that Congress enact legislation to establish human resource or investment councils at the state level to foster coordinated program approaches in such key functions as planning, operations, and oversight. Although all states have integrated different aspects of public assistance programs at the operational stages, only a few states have attempted to coordinate public assistance at the policy or decision making level.

The Commission further recommends that the terms of office for members of these state councils be set as follows: The term of each council member appointed by the Governor shall be three years, except that - (1) any such member appointed to fill a vacancy shall serve for the remainder of the term for which his predecessor was appointed, and (2) of such members first taking office - (a) one third serve for terms of one year; (b) one third serve for terms of two years; and (c) one third serve for terms of three years; as designated by the Governor at the time of appointment. The Chairman shall be selected by the Governor.

The third project on the issue of increasing efficiency, cost- and program-effectiveness, concerns the Private Industry Councils.

The Private Industry Councils epitomize one of the principles of JTPA: that JTPA be based on a strong private/public sector partnership. The PICs are the cornerstone of the service delivery system under JTPA. They are the primary mechanism by which the private sector, along with representatives from public agencies, can provide guidance and oversee the direction of employment and training programs. This is one of the main reasons we are conducting this study. We want to help the PICs do their important job.

In its project, the Commission is seeking to learn: How do the PICs view their role under JTPA? And how does the private sector view its role on the PICs?

The PIC study began last year. The first step was a Commission-sponsored meeting of the Board of the National Association of Private Industry Councils. The objective of the meeting was to learn the views of PIC Chairs on issues they face on the Councils and on ways to improve their effectiveness. The following issues were discussed at the meeting:

- training of PIC members,
- coordination at the local level among employment and training programs,
- coordination with the JTPA system among the local, state, and federal levels, and
- criteria for Private Industry Council membership.

Since that meeting, the Commission has taken a 3-prong approach to this study. First, we are reviewing a recent Department of Labor report on exemplary PICs and other literature on ways of strengthening Private Industry Councils. Second, we are participating in a survey of PICs around the nation to see how they have changed over time. Finally, we are working with the National Chamber of Commerce to learn how businessmen and businesswomen are responding to their roles and responsibilities on PICs.

After the completion of these phases of the project, the Commission will be testing out its findings with PIC members through a series of activities, including hearings and other meetings.

Turning to the last issue -- equity as it pertains to accessing JTPA programs -- the Commission has several recommendations.

First, since I last testified, the Commission issued a report in which we recommended that "receipt of Food Stamps" as an eligibility requirement for JTPA should be replaced with "eligible for Food Stamps." I will explain this recommendation by referencing the report,

> Persons receiving Food Stamps are eligible for JTPA by virtue of their participation in this program. People who meet the eligibility requirements for the Food Stamp program but are not receiving food stamps, must met JTPA's income cutoff if they are to enroll in JTPA. Due to differences between the two programs in both the level of the income cut-offs and the way the cut-offs are determined, in low cost of living areas JTPA's income cut-off is below that for food stamps. Thus in these areas, people with family incomes between the higher food stamp income requirement and the lower JTPA income requirement can enroll in JTPA only if they first apply for, and receive Food Stamps. (p.2 Training Hispanics: Implications for the JTPA System)

Thus, while we wish to encourage food stamp recipients to enroll in training so that they no longer need this program, in practice, the eligibility requirement has had an unintended effect of encouraging people to accept food stamps if they want to enter JTPA or of discouraging people from entering JTPA if they do not wish to participate in the food stamp program.

There has been some discussion within the employment and training community regarding the possibility of using "the number of people on food stamps" as one of the components of a formula for allocating JTPA funds from the federal level to the states and within states, to the SDAs. The Commission strongly urges that this approach not be taken.

Certainly the number of people receiving food stamps is a measure of the number of economically disadvantaged people in a state or locality -- and the number can be updated more frequently than the Census of Population. However, the number of people in the food stamp program in a state (or locality) is also a measure of the degree to which state and local policy-makers encourage people eligible for food stamps to receive the food stamps. States with sizeable populations of Hispanics -- to take one group the Commission has researched -- would receive fewer JTPA dollars because Hispanics tend not to want to receive food stamps for cultural reasons. This is a condition unrelated to the economic need of the people in the state.

Moreover, over time the allocation formula would give state and local officials every incentive to increase the number of people receiving food stamps in order to receive additional JTPA funds. States' allocations would change in response to the relative success of state (and local) officials in getting people to register for food stamps, again a change in a condition which is unrelated to economic need.

The Commission proposes an alternative approach. In the short run, the allocation formula should not be changed; it should be updated with the results of the 1990 Census. In the meantime, we understand that a number of agencies are considering asking the Census Bureau to investigate the feasibility of developing income data for local areas that would be available between censuses. These data could prove useful for the JTPA allocation formula. The Commission is very excited about this possibility even though the efforts are in a preliminary stage.

Two years ago in my testimony submitted to the Education and Labor Committee of the House of Representatives, I reported that the existing amount of documentation requirements also had the unintended effect of "scaring away" some of the "most in need" applicants. I wish to repeat that point this year. Specifically I am referring to the multitude of documentation requirements that eligibility requirements engender. For example, the Commission has seen numerous instances of persons who were required to seek documentation proving that they had neither graduated from high school nor had received a General Equivalency Diploma (GED). It is relatively easy to prove that one has graduated from high school -- but how does one prove that one has not graduated?

Also, I want to refer again to Saturday's article on summer jobs that was in the Washington Post.

> Kevin Williamson [an applicant for a summer job] was making his third trip to room 103 [where the youth apply for summer jobs]. Twice he has been turned away, after riding alone across town by bus, for not having all the identification needed. Washington Post, "Gambling on a Summer Job in D.C.," p. B1 (Saturday May 18, 1991).

In closing, I would like to make a general statement regarding the goal of JTPA. The goal of JTPA is to offer economically disadvantaged individuals, who need employment and training services, those services that they both need and want. I emphasize the term "want" because it is not reasonable to assume that simply because a government program exists, all individuals eligible for the program will automatically want to enter it. The policy implication of this statement is a practical one: the program must also be attractive -- or of interest -- to potential clients. I believe that this point is important to bear in mind as we consider the issues that have emerged about JTPA and discuss ways to improve the JTPA system as a whole and the specific training programs that it offers.

The National Commission for Employment Policy is dedicated to assisting this Subcommittee as it seeks to improve JTPA's efforts to train disadvantaged persons so that they can obtain economically rewarding employment.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions that you or other members of the Committee may have.

Chairman Perkins. Thank you, Mr. Gartland. That is the shortest one so far today.

We would like to turn to Mr. Andrews to see if he has any questions or statements for this distinguished panel.

Mr. Andrews. I do. Thank you, Mr. Chairman.

First of all, let me apologize for being up and down and in and out. We have had a lot of votes today. I have had a chance to read everyone's statement and I apologize for not being here to hear the statements in person.

Mr. Tracy, I am particularly proud that you are here today. It is a great privilege to see you from our State. Let me commend you and your Commission on the fine job it does in New Jersey. You may have heard me say earlier that before coming to Washington, I was privileged to serve in county government as the freeholder director. You and I know what that means, being from New Jersey; the rest of the people in the room do not. It is not the freeloader director. Freeholder is a New Jersey term meaning county commissioner. I was the director of the board. The work that your Commission did in our county was exemplary.

You were kind enough to mention our development of the computer integrated manufacturing program at Camden Community College. You rather modestly failed to state that the work of your Commission was instrumental in helping to put that project together. Your Commission was also extremely instrumental in helping us to implement a novel reform of our welfare reform program, REACH program in Camden County.

So I appreciate very much your efforts. I am very glad you are here today.

Let me ask you a question that has very specific applicability to New Jersey, but I think it also has national applicability as well. You can make a case that the recession that has hit the country has hit us in a qualitatively worse fashion in New Jersey for a variety of reasons owing to some diminution of our industrial capacity over time, some of the difficulties in our State budget and tax picture, the fact that we have many, many concentrated urban centers like Jersey City and Patterson and Camden, that I represent, that do not necessarily have the assets that some other urban centers have.

I would be very interested in hearing you talk about how your Commission is working through the process of coordinating the Federal jobs welfare reform program with the activities of the Private Industry Council around New Jersey.

I ask that because it seems to me that our State, maybe above all others, has a very crucial need right now to deal with the problem of our permanent underclass through the marriage of those two programs. I would be very interested in hearing what you think we ought to do and what the State is doing now.

Mr. Tracy. First, Congressman, what the State is doing is that the State human resource agency has designated the Job Training Partnership Act and the Private Industry Councils as the deliverer of REACH jobs and employment and training programs. Joint planning efforts are taking place at the sub-State level. I think one of the lessons we have learned from the implementation of REACH jobs is that connecting these two programs was a Herculean effort requiring a lot of expenditure of local energy by both policy-makers and constituent advocates, but also by the people who actually run programs.

One of the approaches the Commission is looking into at the local service delivery area is how to develop a decision-making structure that doesn't require the layering of this REACH/JTPA connection, for the vocational education/JTPA connection, and the adult-ed/economic development connection. We are trying to come up with an infrastructure, a delivery mechanism that would allow, as several of the panelists have suggested today, a local board that would have decision-making authority over a variety of resources.

The way we are trying to frame this, conceptually, in New Jersey is to talk about a workforce readiness system that encompasses all of these resources and to work locally at the construction of a decision-making structure. Frankly, probably, at least with the blessing of if not through the board of freeholders, in utilizing a PIC-like mechanism to have authority over a variety of these resources. We have been successful in REACH/JTPA to different extents in different places. But even with that success, the big issue is if you are now going to move more pieces into the puzzle—and we have concluded you absolutely must have an all-chance system when you talk about points of connections for individual people—we have to come with this decision-making structure locally. We have it at the State level through the Commission and its interaction with the Executive Branch of government.

Mr. **Andrews**. Let me ask this question for all three of our panelists. One of the success stories, I think, of JTPA is that it starts with an analysis of what the market needs are for labor, for employment, and then tries to fit the training programs around that. The result is that when the program works properly, people get hired. They get work.

Welfare reform programs historically don't do that. Frankly, in New Jersey, the program called REACH—that is, Realizing Economic Achievement—is very much similar to the Federal program that was enacted here last year. It invests a lot of welfare recipients with job training skills, daycare, transportation, medical insurance, all the skills that you need to break the cycle of poverty. But one thing that I have heard people complain about is that it is sort of like teaching someone how to swim and then locking them out of the swimming pool. There is no real thought about what they are going to do with all these skills once people receive them. JTPA seems to have gotten over that hurdle.

My question is to all of the panelists: What might we do in the law to encourage, not mandate, but encourage the link-up of local economic development activities with JTPA and welfare reform activities?

In other words, how can we get everyone involved in job creation and business attraction, worker training and welfare reform all doing the same thing at the same time? How can we encourage that?

Mr. **Gartland**. We just concluded that we commend New Jersey. They were at our coordination meeting we had at the State level. They have done an outstanding job. I think that you have to have your local officials work with the PIC. I mean, if you have the right mix on the PIC of business, CEOs, small business, that they know what the job market is. Then you give them the training and give them the responsibility and bring the other programs.

I think effective PICs, those which have been trained, do reach out and bring in other money besides JTPA money. They are able to do a much better job. So it may have to be incorporated, but they have to have that good working relationship with the local elected officials.

So, yes, I think you need to encourage that. I think the Department of Labor needs to encourage it. I think the way to answer a lot of these questions is that we need more training of PICs and knowing what they can do.

We'll be coming back to you, Mr. Chairman, on that. We are doing a study on it right now. Some indications are that the PICs aren't as well-trained as they should be. I attended a PIC meeting last Thursday. I was surprised at the lack of knowledge they had. So we are looking into that. We will be back to you, Mr. Chairman, on that.

But it has to come from the local elected officials. They have to bring in both a cross section of the local business on that PIC.

Mr. OSBORNE. Mr. Andrews, that is a very vital issue, in my opinion. I think part of the amendments deal with something that the committee needs to be very conscious of—that is the employment generating section of the amendments. I contend that there is a place for employment generating activities and employment training and the planning for the programs that you just referred to. I would certainly caution the committee not to terminate any use of JTPA funds to support and supplement the employment generating activities. Whether or not you can always tie the first year dollars directed toward employment generating to jobs for JTPA eligible clients the first year, that is a little scary and sketchy because it takes longer than that to create opportunities.

One of the things that we try to do in Eastern Kentucky, and it is only a token effort—and it is not an answer from the standpoint of legislation of what you can do. Locally, I require my supervisors to sit on the chamber of commerce. We are members of the local chamber of commerce. We also sit on economic development boards as a participant. We try to recruit those kinds of individuals to sit on our PIC.

Mr. ANDREWS. I guess the experience that we have been able to hear in these hearings and read about is that the key to an effective JTPA program is how active and how good the PIC is, as Mr. Gartland says. I wonder if we might not build in some kind of incentive for local governments where if they empower the PIC to do more things, if they empower the PIC to be the lead agency in economic development in their county or city, if they empower the PIC to become actively involved in the implementation of the welfare reform program, in exchange for that—and carry out the regular JTPA activities—in exchange for that, some of the things that we heard the local officials complain about earlier could be dropped.

Perhaps there should be some regulatory exemptions. Maybe the 15 percent ceiling would not apply in those kind of cases on administrative costs. In other words, go to local governments and say that if you do the things that the successful dynamic PICs around the country have done, we are going to make your life easier. I am not going to force you to do it, because that would be antithetical to what this program is about, really. But we are going to give you some meaningful incentives with which to do that. I would think that that might be a fruitful area for us to explore in the future.

Gentlemen, thank you very much.

Mr. **Goodling**. Would the gentleman yield?

Mr. **Andrews**. Yes.

Mr. **Goodling**. I think it would be a good idea to extend my flexibility bill then to include JTPA.

Mr. **Andrews**. I am not familiar with the gentleman's flexibility bill.

Mr. **Goodling**. We'll make sure that you get a copy.

Mr. **Andrews**. Flexibility for some people is abrogation for others. We have to be careful, right?

Mr. **Goodling**. That's right.

Chairman **Perkins**. Since this opportunity arose, I guess this is your turn, Mr. Goodling. Do you have any remarks?

Mr. **Goodling**. No questions.

Chairman **Perkins**. All right.

I was interested in several things. Virgil's comment at the end of his testimony about utilizing the concentrated employment philosophy and Mr. Gartland's statement about serious and concerted action to improve coordination among government programs for the poor strike me as moving in the same direction: there is a need to coordinate these jobs programs and JTPA and the Job Corps. We talked about it Friday in Prestonsburg, Virgil and I and some labor officials from my region.

What do you gentlemen think is the best way to approach this thing? Do you think that it is better to have all these programs under one roof? How would you approach it?

Mr. **Tracy**. I think conceptually one-stop shopping is a very appealing concept. When you look at, as Bill Kolberg described it, the mosaic of programs that have developed over the last 60 years, we don't have enough staff or resources in the system to move everyone together in one stop.

I think Texas is exploring an approach called "No Wrong Door," where—if I could for a minute—below the program level at the infrastructural level, systems could be connected so that case management could be addressed not with every program having to have a case manager, but resources attached to the customer and a referral and an intake and assessment process that would allow customers, clients to make informed choice and not to be either captured to fulfill the performance requirements wherever they are or trying to figure out how to merge in New Jersey's context community colleges, vocational technical schools, county welfare offices, Private Industry Councils.

It becomes mind boggling on how to negotiate the shape of that table if it is one-stop. "No Wrong Door" may be a quicker policy to connect the pieces to.

Mr. **Gartland**. I think that is good as a start. But then I think that the Congress is going to have to look at the eligibility requirements. Every program has separate, different definitions, different eligibility requirements. What is poverty? What is the poverty level? Where do the programs kick in? So, I mean, I think down the road, we have to be moving that way. I think we have to look at a comprehensive program of trying to get these people back into the workforce. But I think the local and the State governments can begin to move in that direction as they are trying to do in Pennsylvania in one-stop shopping. The clients have one place to go. Some places, the job is over in that building, three blocks away is the JTPA. People don't know where it is. I mean we need to bring those people in. We can't force them, but I think we have to make it more convenient for the client.

Chairman PERKINS. What do you think about the concept Mr. Power, I think, was talking about? The kind of super-council that grows on the PIC that would have more jurisdiction over a variety of these areas.

Mr. GARTLAND. I think we need to go down that road. We have to bring it all together. But of course, you are stepping on turf.

Chairman PERKINS. Oh, no. But I can do that here. When it gets out in the real world, it is all right.

Mr. GARTLAND. But yes. We have to start moving. We only have so many resources. We have to concentrate on it. I agree with you; we have got to start looking down that road. We are doing and will have for you, probably in 3 months, a coordination recommendation.

Chairman PERKINS. How nice to see that, Mr. Gartland.

Virgil, were you trying to say something?

Mr. OSBORNE. Just a comment to support what has been said by both my colleagues.

It is strange that when we look out into our community, we just see people who are in need of services. But once they go to an assessment center or an eligibility center, we find out they are an AFDC client or they are a dropout or they are a Title III dislocated worker or they are a displaced homemaker or something else, and they don't qualify for what they have there. Like you said, it is on the other side of town. We need something where these things are united to serve the people in need when they come here.

Chairman PERKINS. How would you suggest going about uniting them?

Mr. OSBORNE. My strongest suggestion would be that you gentlemen there take the bull by the horns and start at this level. But we have attempted to do that locally by co-housing as many of the service agencies as we can. We want to take advantage of the educational reform in Kentucky and the community centers concept to try to co-house some of those members. We have already been talking with some of the superintendents in that regard.

We have talked with the Department of Employment Service in an attempt to co-house some of the services so that when people come in, once it is determined where they are, they can get the service there in the office rather than going to the other side of the county or the town.

But I think it has to start here.

Chairman PERKINS. Let me just shift gears here and go to the Summer Youth Program. I know Mr. Gartland said he wanted to make some comments. I am going to give you an opportunity to do that. I am very interested.

The administration made a proposal and they tell you the number of people they serve is going to go down, but they are going to give you a better product when the individual is served over the course of the whole year. The Youth Program is going to provide services the whole year. Youths don't have to be served for a year, they could still be served only 3 months in the summertime. There is no requirement that they are going to be there for a year, but that the services provided to those individuals are better than under the present summer program.

Do you think that is a good concept? Why or why not?

Mr. **Gartland**. No, because my understanding, first of all—and maybe I misunderstand it—but my impression was to be enrolled in a summer program, you had to be in a year-round program. I think that is a mistake. We can do that already under Title II-A.

Chairman **Perkins**. Mr. Gartland, there is one thing that you need to know. You don't have to be served that entire year. You could be served, I think with a certain flexibility, just in the summer, period.

Mr. **Gartland**. Then why change it? I mean if——

Chairman **Perkins**. With the rest of the year.

Mr. **Gartland**. I mean a lot of communities will have those that want to be in a year-round program; they use the II-A funds. Then they use the summer program for when the summer starts. They shift people into the summer program. So if they are not changing it, then why change it? My impression was——

Chairman **Perkins**. There is just more flexibility for funds.

Mr. **Gartland**. I really don't think that there is that much flexibility in funds. I am afraid that you are going to lock the locals. I mean if you read the Post on Saturday, we had 10,000 kids here in the District who signed up for the summer program. Now some of the large urban areas are able to use—have been able to use in the past a lot of corporate funds because they are available. So they didn't need to use their summer program money, because the corporations were doing well, therefore, they were willing to hire a lot of people. Now times are tight. They can't hire as many. Therefore, are you going to leave all those kids out because you don't have the flexibility? If they have not been in some part of the program, can they just walk in?

I mean I thought—what kids want today—I mean in the program, they talk, and can I quote from the Washington Post? It said, "Kevin Williamson, an applicant for a summer job, made his third trip to room 103 where the youth applied for a summer job. Twice he had been turned away, after riding alone across the town by bus, for not having all of the identification needed."

But these kids do want to do it. I just think the system in that particular case is not working. When we surveyed and did our summer youth program, 49 percent of the SDAs—there were about 240 out of the 600 that responded—said they would be seriously impacted if that was changed. Seventy-five percent said they would be seriously or moderately negatively impacted. So the SDA directors out there don't want to change. I just have a problem of putting it all in one big—right now, I think it is working well and gives the flexibility at the local level.

Chairman PERKINS. One of the questions that I asked earlier to one of the gentlemen was: What about the idea of giving them the option of using a local SDA to make the decision a year-round program and one option if you decide to go in that direction and another area of summer employment program?

Mr. GARTLAND. I would like to further,—I mean, right now they have the option to do both. You might have some really at-risk kids that need to be in a year-around program. But then you have some kids who are playing basketball, maybe playing football, doing well in their studies but they are from economically disadvantaged families and they need a summer job. I wouldn't want to take that away from them. We already have it. I don't know why you try to fix something that is already working.

Chairman PERKINS. Virgil, what do you think?

Mr. OSBORNE. I agree with that. I think just to add one little bit of public fund flavor to it, I think, the Summer Youth Program is a way to access the community and get the added support that is needed for all the programs there that would be available for most year-round programs. But I disagree with the fact that it is a summer youth program. Of course, I may be speaking primarily from our standpoint. We think that we have a very effective summer youth program. It is doing good things for the people in there.

Chairman PERKINS. Mr. Tracy, what comments do you have?

Mr. TRACY. The NGA position is consistent with what both my colleagues have presented, to keep the flexibility of the summer only program.

Chairman PERKINS. Virgil, let me ask you about your proposal. You had two cost categories. Do you think that by moving to something like that, that you are going to open yourself up to more audits, more potential criticisms, than we have presently under the present system?

Mr. OSBORNE. No, not if the guidelines are written to cover what they have now. If you set it up by the basic standards that we have, the OMB circulars and what is service and what is not.

Chairman PERKINS. So you think that the OMB circular is the way to go?

Mr. OSBORNE. No, I think it is a base to use, but I think there has to be a little bit of flexibility.

Chairman PERKINS. There should be a modification, you think?

Mr. OSBORNE. Yes, modification. But we have operated fairly well with the flexibility that the State has built into it. I know that that has caused a problem in a lot of places because of the extremes it has been going to. But I think if they would allow redefined services and the expenditures to cover those things that would be non-administration and everything pertaining to the development or training of the client——

Chairman PERKINS. I am concerned about this area. Somewhere we have got to build in, I think, some sort of accountability. We have seen too many problems develop across this country. People will continue to come in and say hey, everything is fine. Then you see another study where you have problems across this country. So if people think that we are just going to gloss over that in the name of flexibility, we are not. We have got to put something in place that is going to try to correct that. At the same time, we want to maintain the maximum amount of flexibility that is possible, and we want to allow people to move in the direction that they want to.

I am interested in your idea about a modified circular approach and accounting standards, I guess.

What do you other gentlemen think about it?

Mr. TRACY. NGA is against the creation of an additional cost category. Conceptually—well, specifically, NGA is opposed to the imposition of the OMB circulars and would instead suggest that the bill outline specific expectations and that the Governors would be charged with the responsibility of putting that accountability system in place. That is the NGA's recommendations on the cost system.

Chairman PERKINS. Mr. Gartland, any comments?

Mr. GARTLAND. I am concerned. I mean the performance standards are an important part. I think that as the Congress says to the PICs or SDAs, whichever you want to use, get down and serve the harder to serve, they have a lot of barriers out there that can't be taken care of under Title II-A, except the 8 percent set-aside, because that doesn't have the performance standard.

So the harder to serve the client, the person who has more barriers, the more they have a hard time. I think a lot of it is out of ignorance. I think there are a lot of dedicated people out there who are trying to serve. I don't think they have the information or the training and I think they are trying to get it down, and they are going over the line. I don't think it is direct fraud or abuse. Maybe I am wrong. I don't know. I haven't studied the GAO or the Inspector General's report.

Chairman PERKINS. I think you are right in a lot of cases. I think certainly what is happening is the problem that Virgil was talking about earlier, that you have a situation—he has got a waiver. He is lucky on that. He doesn't have to worry about those sort of things. But you have provide supportive services. That is a question we have to get into.

But I think there are abuses, particularly in the area that Bill Ford was talking about—on-the-job training. It is amazing when you look and you see the abuses that are going on regularly today in this program—and they are going on, on a national basis. So how do we build something to stop these abuses and still retain that flexibility.

Mr. GARTLAND. We went out and we asked PICs: How do you use your 10 percent window? We keep that under the table in case we are audited, we can throw those in there. So they are holding that. Instead of using it as it should be used, they are holding it back if they get audited. I am not convinced that we should tighten the screw any more until we have done a better job of training. I have to come back to you on that, but I feel strongly about that. I visited a PIC and they just were not aware of a lot of stuff. I think we need more—well, let me come back to you on that.

Chairman PERKINS. I am looking forward to seeing that report when you get it 3 months from now.

Mr. TRACY. I think qualitative benchmarks in terms of the skill levels of the on-the-job-training contracts have to be addressed. I think the specific kinds of examples, the mismatch between the length of training and the amount of training subsidy have to be addressed. I am not convinced that the blanket application of the OMB circulars is going to address that issue.

Chairman PERKINS. Let's talk about the modified procedure that Virgil is talking about, some sort of accountability procedure.

Mr. TRACY. I think there needs to be a tying of the length of training. The standard vocational preparation index that is in the Dictionary of Occupational Titles may be a good benchmark. Five years ago, I would have said that that would be the standard, but since the National Academy has looked at the dot code system, that may be eroded to the point that it is a good guideline or a good starting point. Certainly it is the only thing we have today that is comparable across occupational lines.

But some standard of vocational preparation, indexing length of time to the skill level of the job required, is one answer. The other answer, I think, is to allow the States to develop a set of sanctions for employers who are not living up to their OJT commitments.

A third component of this OJT structure may be to address an assessment on the skill level of the individuals on their way into the training program, so that there is some indication of specific increase in competency. These are not NGA nor the State of New Jersey, these are off the top of my head, Mr. Chairman.

I think that is a more measured approach which you really can't legislate, other than to suggest or require that States, maybe with some funding from the Department and research through the National Commission, develop these kinds of benchmarks since we are really moving into a new era of how to relate on-the-job training, to evaluate it.

Chairman PERKINS. I see. We are going to legislate something, though. We have been doing that in this country for the last decade.

Mr. TRACY. I'll defer to you on that, Mr. Chairman.

Chairman PERKINS. Well, maybe we better defer to somebody else.

Mr. GOODLING. I would like to make two observations.

Chairman PERKINS. Please, Mr. Goodling.

Mr. GOODLING. Number one is I think there is a misinterpretation of what the administration says in relationship to a year-round program. They don't say that you have to be in a JTPA program. What they say is that you must be in a year-round program. You may be in high school or in another trade school. You may be in anything else just so that you are in some type of program year-round. They are not talking about being in JTPA.

Two things they want to get around is number one, that there is no assessment after a summer program, they want these youngsters to have a follow-up assessment. The second thing that they are concerned about, is that we enroll in the summer program. Then at the end we terminate them and then enroll them in the full year-round program. At the end of that, we terminate that, and then we enroll them in the summer program. We terminate that, et cetera, et cetera, et cetera, which there doesn't really seem to be any purpose for doing that. So I think there may be a misunderstanding.

The other thing is that I was interested in your one-stop shopping concept which we have tried to pass in the legislation recently. We have been trying to insist on forcing all agencies to work together. I was reminded that in Section 122 of the existing Job Training Partnership Act, we tried to do something about that. In Section C, we talk about the what the Governors' coordination of special services activities may include; and then on number 10 of that, that they may include, we say, "providing statewide programs which provide for joint funding of activities under this Act with services and activities under other Federal, State, or local employment-related programs." So this is one time, I guess, we did it right, maybe it is not being done right out in the bushes. So we'll have to do something about that.

I don't have any more comments because I am afraid I'll get tomatoes from my group from York if they don't soon get on the highway and get back home.

Chairman **Perkins**. Are you accusing me of having a long hearing, Mr. Goodling?

Mr. **Goodling**. That would probably explain that for the people back in York, that they were here in the hearing all this time.

Chairman **Perkins**. I appreciate what this panel has given to us today in the way of testimony. It has been very valuable. I thank you again for your patience and being with us three hours and fifteen minutes. Thank you very much for your testimony.

We have one more panel, Mr. Calvin Johnson, Legislative Representative from the Department of Legislation, AFL-CIO; and Jody Keller, Chairman of the York County, Pennsylvania Private Industry Council.

I know Mr. Goodling has been waiting anxiously all day for this opportunity.

Ms. **Keller**. So have I.

Chairman **Perkins**. I think we all have, that's true. You are the last panel.

Mr. Goodling, do you want to make any introductions or comments here?

Mr. **Goodling**. As I indicated in my opening statement, these two ladies have an interesting twist, an interesting story to tell because we have had some difficulties with the program that received all sorts of compliments, awards, accolades, et cetera, et cetera.

Chairman **Perkins**. I read the testimony. It is very interesting.

Mr. **Goodling**. It is interesting, and I think you'll enjoy what Ms. Keller has to say.

Chairman **Perkins**. I have read all the testimony today. So I will again encourage you. If you have any summaries, please feel free to do so.

Ms. Keller, please begin.

Ms. **Keller**. Thank you.

Chairman **Perkins**. You waited so long, I am not going to deny your opportunity.

Ms. **Keller**. That's right. I am going to take my five minutes.

Chairman **Perkins**. Okay.

STATEMENTS OF JODY KELLER, CHAIR, YORK COUNTY, PENNSYLVANIA PRIVATE INDUSTRY COUNCIL; AND CALVIN JOHNSON, LEGISLATIVE REPRESENTATIVE, DEPARTMENT OF LEGISLATION, AFL-CIO

Ms. KELLER. Mr. Chairman, Subcommittee members, thanks for the opportunity to provide the perspective of a Private Industry Council Chairperson, small businessperson and employer with regard to the amendments to the Job Training Partnership Act.

Thank you, Mr. Goodling, also, for the introduction.

With me today is also Kathy Fox, our new Executive Director of the York County Office of Unemployment and Training.

I represent a Pennsylvania SDA that is located in the south central part of the State. We serve citizens of York County. Our own experience over the past 12 months, which I will share with you briefly in a moment——

Mr. GOODLING. Excuse me. I have to interrupt you just to say that the staff is listening, and that is more important than the members.

Ms. KELLER. That's fine. Believe me, I have been watching the goings-on today, so I understand who is important up there.

Anyway, what has happened in York over the past year does, in large measure, support amendments that we have before us. York County, Pennsylvania, for those of you who are not familiar with our area, is an agricultural manufacturing area. We also have an emerging service industry. We support more than 340,000 residents and of course, have our own challenges for the maintenance of our county as well as growth.

About a year ago, one of our major manufacturers, Cold Steel Equipment, closed its doors. It left more than 500 long-term employees jobless and in a very insensitive job market. Heeding the 60-day plant closing law, our rapid response team went into action, coordinating efforts to assist employees by committing JTPA funds for training and job search activities.

It wasn't until several months later that our Private Industry Council and our county commissioners learned that we had overcommitted our JTPA resources. It wasn't until later that we all learned about the inadequate accounting system, administrative misspending, and excessive OJT contracts. Our local newspapers took full advantage of the story as it unfolded, implying that our system had been abused. We read in the papers that displaced workers from plant closings would not receive what they were promised. We learned that the local JTPA program had spent its entire annual budget the first month of the fiscal year.

Ironically, while York County's JTPA program was in this administrative and financial disarray, we were being lauded for meeting program performance standards. Everybody was asking how could an exemplary program such as ours, which had received numerous awards and incentive grants, how could it have had such inadequate fiscal controls?

Fortunately, with the assistance of Representative Bill Goodling, State and Federal administrators, our displaced workers from the plants such as Cold Steel, did receive the assistance that they were promised.

We are currently answering the questions that were raised over the past year, and we are putting our SDA back together again thanks to the cooperation and involved assistance of our State Department of Labor and Industry, our York County Commissioners, Pennsylvania's SDA Association, which has been very helpful, our diligent new Executive Director, and our rejuvenated Private Industry Council.

Many of the proposed amendments to the act have the potential to have prevented York County's crisis. Specifically, I believe, the following ideas related to the amendments should receive your full consideration.

First of all, while the amendments do suggest the continuation of the present service delivery system, as we learned in York County, structure does not imply function. In order for the partnership between the Private Industry Council and the JTPA program office to function, it requires open, honest, and intelligent administrators, committed and knowledgeable PIC volunteers—I believe that Mr. Gartland pointed to the need for trained PIC volunteers; supportive county officials and coordination of public and private efforts, which are of necessity outside of the JTPA scope of authority.

Secondly, we believe the success of the JTPA program should be based on successful job placement, but it must be recognized that barriers to employment include the basic necessities like transportation, adequate clothing, housing, which we talked about today. The definition of "disadvantaged" does require consideration of the local context. We feel there should be Federal standards for labelling the disadvantaged worker.

Third, we are in support of the amendment to provide additional service coordination requirements at the State level, for example, the State Human Resource Investment Council. Please remember, however, that coordination at the State level can be greatly enhanced, or it can be and is often inhibited by restrictions imposed by segregated Federal programming. At the local level, it would be helpful to have requirements and incentives for coordinating and streamlining services to JTPA eligible clients.

Fourth, we also support individual participant assessments which guide service activities. While we are aware of the effort required, it does seem consistent that the hard-to-place employee requires additional and ongoing support.

Finally, we strongly support increased fiscal accountability. As a PIC member, I need the information which could be provided through such a system. However, in our experience over the past year, when program standards were exceeded with no apparent relationship to program spending, it became all too evident to us that there must be a formal link between program and fiscal success. Establishment of procurement standards, in our view, should be only one of a number of enhancements needed to ensure that fiscal accountability.

In York County, as we rebuild our JTPA program, we will continue to serve our economically disadvantaged and dislocated citizens by offering the means to obtain gainful employment. Now more than ever, our community must apply all resources, public and private, to support our changing economy. We need both flexibility, but we also need focus from JTPA to allow us to respond to local conditions.

Mr. Chairman, in closing, I just want to tell you about York County's preparation for the decade we are in now. We have the York 2000 Commission. It was established in 1986 by our county commissioners. Its purpose was to address the issues that York County would face on the road to the new century. A variety of county residents were appointed from both the private and public sectors, representing a diversity of interest from areas of expertise. The resulting report outlined a number of areas needing attention within the upcoming years in a proposed course of action. Specifically, our third report was made in April of this year. I want to read just one small piece from the report that points to what we are talking about today.

There is a need for the creation of public and private partnerships that could provide job training opportunities and encourage those who face barriers to employment. The limitations of federally funded job training programs to respond to the needs of the economically disadvantaged individuals, dislocated workers, and workers whose skills have not kept pace with the changing work environment will leave many employable persons out of the employment picture.

We believe the Job Training Partnership Act can make a greater impact on our local employment picture, given the potential for enhanced programmatic and fiscal integrity. We eagerly look to Congress to make the necessary changes to JTPA that will allow us to improve the quality of life in our county by providing both economic independence to our residents and a skilled productive workforce to our business community.

I thank you again for the opportunity to share my limited view and experience with JTPA.

[The prepared statement of Jody Keller follows:]

STATEMENT OF
JODY KELLER
CHAIRMAN, PRIVATE INDUSTRY COUNCIL
YORK COUNTY, PENNSYLVANIA
BEFORE THE
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES
COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES
May 21, 1991

Mr. Chairman and Subcommittee members, thank you for the opportunity to provide the perspective of a local Private Industry Council Chairperson, small business owner and employer with regard to Amendments to the Job Training and Partnership Act. With me today is Kathy Fox, our new Director of the York County Office of Employment and Training.

I represent a Pennsylvania S.D.A. located in the southcentral part of the state, serving the citizens of York County. Our own experience over the past 12 months, which I will share with you in a moment, suggests the need for change in the Act, and in large measure, supports the Amendments before you at this time.

York County, Pennsylvania, 1000 square miles of agriculture, manufacturing and an emerging service industry, supports more than 340,000 residents and has its own challenges for maintenance and growth.

About 1 year ago, a major manufacturer in York, Cole Steel Equipment, closed its doors leaving more than 500 long-term employees jobless in an insensitive job market. Heeding the 60-day plant closing law, our rapid response team went into action, coordinating efforts to assist employees by committing JTPA funds for training and job search services. It wasn't until several months later that our Private Industry Council and County Commissioners learned that we had over-committed our JTPA resources. It wasn't until later that we all learned about the inadequate accounting system, administrative mis-spending and excessive OJT contracts. Our local newspapers took full advantage of the story as it unfolded, implying that the system had been abused. We read in the papers that displaced workers from plant closings would not receive what they were promised. We learned that the local JTPA program had spent its entire annual budget during the first month of the fiscal year.

Ironically, while York County's JTPA program was in this administrative and financial disarray, we were being lauded for meeting program performance standards. Everyone was asking, how could an exemplary program, the recipient of numerous awards and incentive grants have such inadequate fiscal controls?

Fortunately, with the assistance of Representative Bill Goodling, state and federal administrators, our displaced workers from plants such as Cole Steel did receive the assistance they were promised. We are currently answering the questions that were raised over the past year and are putting our SDA back together thanks to the cooperation and involved assistance of our State Department of Labor and Industry, York County Commissioners, Pennsylvania's S.D.A. Association, our diligent Director and our rejuvenated Private Industry Council.

Many of the proposed amendments to the Act have the potential to have prevented York County's crisis. Specifically, I believe the following ideas related to the amendments should receive your full consideration:

1. While the amendments suggest the continuation of the present service delivery system, as we learned in York County, structure does not imply function. In order for the partnership between the Private Industry Council and the JTPA program office to function, it requires open, honest and intelligent administrators, committed and knowledgeable PIC volunteers, supportive county officials and coordination of public and private efforts which are, of necessity, outside of the JTPA scope of authority.

2. We believe the success of JTPA programs should be based on successful job placement, it must be recognized that barriers to employment include basic necessities like transportation, adequate clothing and housing. The definition of "disadvantaged" requires consideration of the local context. There should not be federal standards for labeling the disadvantaged worker.

3. We are in support of the amendment to provide additional service coordination requirements at the state level. (i.e. the State Human Resource Investment Council). Please remember, however, that coordination at the state level can be greatly enhanced but is often inhibited by restrictions imposed by segregated federal programming. At the local level, it would be helpful to have requirements and incentives for coordinating and stream-lining services to JTPA-eligble clientele.

4. We also support individual participant assessments which guide service activities. While we're aware of the effort required, it seems consistent that the hard to place employee requires additional and on-going support.

5. Finally, we strongly support the need for increased fiscal accountability. As a PIC member, I need the information which could be supplied through an improved system. However, in our experience over the past year where program standards were exceeded with no apparent relationship to program spending, it became all too evident that there must be a formal link between program and fiscal success. Establishment of procurement standards should be only one of a number of enhancements needed to ensure fiscal accountability.

In York County, as we rebuild our JTPA program, we will continue to serve our economically disadvantaged and dislocated citizens by offering the means to obtain gainful employment. Now, more than ever, our community must apply all resources -- public and private -- to support our changing economy. We need both flexibility and focus from JTPA to allow us to respond to local conditions.

Mr. Chairman, in closing, I would like to tell the subcommittee about York County's preparation for the decade we're now in.

A York 2000 Commission was established in 1986 by our County Commissioners. Its purpose was to address the issues that York County would face on the road to the new century. A variety of county residents were appointed from both the private and public sectors, representing a diversity of interests and areas of expertise. The resulting report outlined a number of areas needing attention with in the upcoming years and a proposed course of action.

Specifically, the third York 2000 report made in April of this year stated that:

"There is a need for the creation of public and private partnerships that could provide job training opportunities and encourage those who face barriers to employment. The limitations of federally funded job training programs to respond to the needs of the economically disadvantaged individuals, dislocated workers and workers whose skills have not kept pace with a changing work environment will leave many employable persons out of the employment picture."

The Job Training and Partnership Act can make a greater impact on our local employment picture, given the potential for enhanced programmatic and fiscal integrity. We eagerly look to Congress to make the necessary changes to JTPA that will allow us to improve the quality of life in York County, by providing both economic independence to our residents and a skilled and productive workforce to our business community.

Mr. Chairman, I along with the folks back home, thank you again for keeping York County Pennsylvania, working.

Chairman **Perkins**. Thank you, Ms. Keller.

Calvin?

Mr. **Johnson**. Do you want to go vote?

Chairman **Perkins**. You have two and a half minutes. Is that enough time?

Mr. **Johnson**. Heaven forbid I should take longer than that. Thank you, Mr. Chairman. Let me see if I can hit the highlights of my testimony.

Chairman **Perkins**. Please do.

Mr. **Johnson**. The AFL-CIO wants to see improvement in the structure of our Nation's job training system towards a more centralized system with greater accountability and quality. We support increased Federal oversight of the program as well as stricter controls on fiscal and administrative procedures to preclude many of the abuses found by the Office of the Inspector General.

Our Nation's job training system also requires additional funding. Less than 5 percent of those who are eligible currently receive services.

We are calling for a mandated increase in the input of organized labor into the JTPA system. Current JTPA law contains some protection for workers as well as certain mandated requirements for labor input. However, in certain areas of the country, these opportunities are ignored and calls for involvement go unheeded. Labor contributions have proven to be effective in increasing the quality and performance of JTPA programs. Labor operated programs have among the highest wage and placement rates in the country.

To assure adequate labor input, we believe that all JTPA plans should be required to specify the means used by program administrators for involving labor organizations in the development and implementation of services.

We recommend that local Private Industry Councils have equal representation of business and labor and community organization. The interest of workers who are directly affected by JTPA training should be given weight equal to that of employers who benefit from the training subsidies.

The AFL-CIO urges that the current State Job Training Coordinating Council structure continue, or that a structure with two councils, one for vocational education and one for training, be created. We prefer the SJTCC over the proposed combined omnibus State Human Resource Investment Council.

We encourage efforts to target JTPA Title II programs for precisely those most in need. At the same time, however, it is critically important for this country to provide opportunities for upward mobility to those who are under-employed and the working poor. Training resources should also be devoted to the creation of career upgrade training programs for workers impacted by new forms of work organization and new technology, as well as programs to provide workers in dead-end jobs opportunities to move up.

Title III programs should continue to be directed to those who are laid off as a result of plant closings, mass layoffs, and recession cutbacks. Additionally, national funds and assistance should be provided to programs aimed at preventing layoffs.

Current JTPA law requires that "training shall be only for occupations for which there is a demand in the area served or in another area to which the participant is willing to relocate." Because some service delivery areas and States have chosen to interpret this language narrowly, labor organizations have experienced great difficulties when employers are provided with training subsidies for occupations having an existing surplus of workers.

Unscrupulous employers, many of whom are quite adept at garnering JTPA funds across the country, use JTPA to undercut existing wages and jobs. There are conflicting opinions and policies regarding the definition of "demand occupation," and a rational, consistent standard must be set. A possible remedy may be found in recent Labor Department regulations issued on Title III national discretionary projects which require that applicants provide a detailed explanation of how the potential for placement in occupational areas was determined, including information and sources of specific employers or industries that have demands for workers in those occupations.

OJT is an important and extremely useful mechanism for worker training. However, it must be viewed not as a subsidy to employers but as a means for offsetting the extraordinary costs of training economically disadvantaged workers.

We have a continuing concern regarding the use of "try-out" employment programs serving as a subsidy for employers in youth programs. We have additional concerns regarding the use of other "entry employment experiences" providing full-time employment opportunities in the public and private non-profit agencies which provide community improvement services that complement local expenditures. Care must be taken to assure that these young workers are given adequate supervision and training and that regular workers are not displaced by the widespread use of these programs.

If this Nation is to have an effective job training system, it is vitally important that we continue to improve the quality of staff as well as the labor, business, and community officials who govern local JTPA programs. As a result, it is necessary to expand the capacity-building services to those who administer and oversee programs so that good programs can be replicated and performance improved.

The AFL-CIO is proud of the work done by the Human Resources Development Institute in expanding the role of organized labor in JTPA programs and in coordinating these activities with other national partners in business, education, and government.

The AFL-CIO is concerned about the use of JTPA funds to help a business relocate. We are experiencing a significant problem with this issue in a number of States. Section 141(c) of the act states that no funds may be used to assist in relocating establishments unless the Secretary determines that such a relocation will not result in an increase of unemployment in the area of original location or any other area. What should be a clear directive is being misinterpreted by many States. To avoid future problems, we suggest that all cases involving JTPA subsidies to relocating business be approved only by DOL with the concurrence of the appropriate labor organization.

Mr. Chairman, I appreciate this opportunity to present some of the AFL-CIO's concerns.

[The prepared statement of Calvin Johnson follows:]

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STATEMENT BY CALVIN JOHNSON, LEGISLATIVE REPRESENTATIVE, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS TO THE SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES OF THE HOUSE EDUCATION AND LABOR COMMITTEE ON JTPA AMENDMENTS

May 21, 1991

Mr. Chairman, I appreciate this opportunity to present the concerns of the AFL-CIO on the Job Training Partnership Act. We believe all workers should have ample opportunity for training and education to get jobs, to keep jobs, and to get better jobs. All workers -- both employed and unemployed -- should have more opportunities for more education, for basic skills improvement training, retraining, upgrading, and upward mobility.

There is an important national interest in training the nation's workforce. We need high-skill workers -- in addition to effective trade policies -- to compete in the world economy. Unfortunately, most employers target most of their training funds on executives, managers, and professional workers, not on front-line workers. According to the Report of the Commission on Skills of the American Workforce ("America's Choice: High Skills or Low Wages," June 1990), only 8 percent of private employers' training expenditures go into training ordinary front-line workers. So there's an important role for the federal government in promoting and supporting training opportunities for all workers.

The AFL-CIO continues to support the establishment of a fully funded education and training system for our nation's workers. While we must expand services to unemployed and disadvantaged workers, it is also incumbent to help currently employed workers advance in new technology and higher-level skills as well.

We want drastic improvement in the structure of our nation's job training system toward a more centralized system with greater accountability and quality. The AFL-CIO supports increased federal oversight of the program as well as stricter controls on fiscal and administrative controls to preclude many of the abuses found by the Office of the Inspector General.

Our nation's job training system also requires additional funding. Less than 5 percent who are eligible receive services. We recognize current budget constraints, but we believe that upgrading the skills of American workers must be a higher priority of Congress.

We are calling for a mandated increase in the input of organized labor into the JTPA system. Current JTPA law contains some protection for workers as well as certain mandated requirements for labor input. However, in certain areas of the country these opportunities are ignored and calls for involvement go unheeded. Labor contributions have proven to be effective in increasing the quality and performance of JTPA programs. Labor operated programs have among the highest wage and placement rates in the country.

To assure adequate labor input, all JTPA plans should be required to specify the means used by program administrators for involving labor organizations in the development and implementation of services. Despite the many obstacles to labor involvement, nearly 1,000 labor representatives serve on JTPA councils. This is only 8 percent of all persons serving on these councils. At least 150 labor organizations contract with JTPA for direct services. Yet these labor representatives and program operators experience a great deal of frustration.

Composition of Private Industry Councils (PICs)

We recommend that local Private Industry Councils have equal representation of business and labor and community organizations. The interests of workers who are directly affected by JTPA training should be given weight equal to that of employers who benefit from the training subsidies. Too often there is only token labor representation on local PICs. Regardless of the size of representation, labor representatives should be recommended by AFL-CIO state and local central bodies. Regulations protecting these opportunities should be enforced by the U.S. Department of Labor.

State Human Resource Investment Councils

The AFL-CIO urges that the current State Job Training Coordinating Council (SJTCC) structure continue, or a structure with two councils, one for vocational education and one for training be created. We prefer the SJTCC over the proposed combined omnibus State Human Resource Investment Councils. When Economic Dislocated Workers Adjustment Act was passed in 1988, labor representation on SJTCCs went up by 120 percent from 94 labor representatives to 209, a clear indication of labor's interest and involvement.

However, if Congress chooses to create a new consolidated council, the AFL-CIO strongly recommends that: (1) the legislation guarantee an equal role for labor representatives with business and community organizations, and (2) that labor representatives be nominated from recommendations offered by state AFL-CIO bodies. Across this nation some 60,000 local unions look to these democratically elected state labor bodies to coordinate all programmatic and policy activities affecting workers. Appointments from the state AFL-CIO will assure that workers within the state will have representatives that truly represent the interests and needs of all workers in the state and will have the means to acquire and present input in a systematic and broad-based way.

Without a base of support that only the state AFL-CIO central body can provide, labor representatives on these councils will be lone voices speaking only for their own specific interests. Such a situation is neither desirable for the labor movement or for the education and training systems in each state which must rely on the occupational information and training expertise which unions are uniquely positioned to provide.

Workers To Be Served

We encourage efforts to target JTPA Title II programs more precisely to those most in need. At the same time however, it is critically important for this country to provide opportunities for upward mobility to those who are underemployed and the working poor. Training resources should also be devoted to the creation of career upgrade training programs for workers impacted by new forms of work organization and new technology as well as programs to provide workers in dead-end jobs opportunities to move up.

At the same time this country is exporting high technology, we are importing workers to take the highly skilled jobs we have remaining. Why do we need to bring in engineers when we have unemployed engineers? Why do we have to bring in thousands of nurses from other countries when we know that thousands of entry level workers in the health care field would be eager to fill these jobs? Why can't this nation's employment and training system provide these workers with the additional training they need to escape these marginal jobs?

Title III programs should continue to be directed to those who are laid off as a result of plant closings, mass layoffs, and recession cutbacks. Additionally, national funds and assistance should be provided to programs aimed at preventing layoffs.

Labor organizations should be utilized to provide outreach and services to their members and other workers in need of services. Likewise labor organizations must continue to be involved in the design and implementation of rapid response, reemployment, and retraining services.

Program Services -- Demand Occupations

Current JTPA law requires that "training shall be only for occupations for which there is a demand in the area served or in another area to which the participant is willing to relocate." Because some Service Delivery Areas (SDAs) and states have chosen to interpret this language narrowly, labor organizations have experienced great difficulties when employers are provided with training subsidies for occupations having an existing surplus of workers.

Unscrupulous employers, many of whom are quite adept at garnering JTPA funds across the country, use JTPA funds to undercut existing wages and jobs. There are conflicting opinions and policies regarding the definition of "demand occupation" as it exists in the law. A rational, consistent standard must be set.

A possible remedy can be found in recent Labor Department regulations issued on Title III national discretionary projects which require that applicants provide a detailed explanation of how the potential for placement in occupational areas was determined, including information and sources of specific employers or industries that have demands for workers in those occupations. If this were required in the legislation, along with corroborating statements from the appropriate labor organizations, such problems could be diminished.

On-The-Job Training (OJT)

OJT is an important and extremely useful mechanism for worker training. However, it must be viewed not as a subsidy to employers but as a means for offsetting the extraordinary costs of training economically disadvantaged workers.

The Labor Department's Office of the Inspector General and the General Accounting Office have found significant problems with OJT contracts, including excessive time spent in training, training individuals whose work experience already qualifies them for employment, and training individuals already working for the OJT employer. We support limitations on OJT and requirements that training duration be linked with recognized standards.

Assessment and Training

Participants should be provided with a thorough assessment process that is designed to screen workers in, not out. Assessment results must then be linked with adequate education and training. We support amendments that would require basic skills education to be linked with occupational training to provide participants with the broadest possible training.

Public Service Employment

Title III national discretionary funds have been used to provide temporary employment to workers affected by natural disasters. The AFL-CIO recommends that public service employment be an option offered to all JTPA participants.

Youth Programs

We have continuing concern regarding the use of "try-out" employment programs serving as a subsidy for employers. We have additional concern regarding the use of other "entry employment experiences" providing full-time employment opportunities in the public and private non-profit agencies which provide community improvement services which complement local expenditures. Care must be taken to assure that these young workers are given adequate supervision and training and that regular workers are not displaced by the widespread use of these programs.

Technical Assistance and Training

If this nation is to have an effective job training system, it is vitally important that we continue to improve the quality of staff as well as the labor, business, and community officials who govern JTPA programs. As a result, it is necessary to expand the capacity-building services to those who administer and oversee programs so that good programs can be replicated and performance improved.

The Department of Labor must be given a clear mandate as well as the resources from Congress to implement national technical assistance and training for the JTPA system. The national partnership organizations can make invaluable contributions to the effectiveness of this system, if they are provided with the necessary support and guidance.

The AFL-CIO is proud of the work done by the Human Resources Development Institute in expanding the role of organized labor in JTPA programs and in coordinating these activities with other national partners in business, education, and government.

State Set-Asides

The federal government must do all it can to assure that employment, training, and education agencies work together in a participant-centered approach. Whether set-asides for such coordination occur at the state level or the federal government provides a national set-aside, it is important that there be complete federal involvement and oversight of these activities. Requests to waive provisions of either the law or regulation must be carefully scrutinized and approved only after review and concurrence by affected organizations and unions.

Performance Standards

The JTPA system must emphasize and reward programs that engage in long-term quality training which results in placements in high-wage jobs with career potential. Congress must prescribe comprehensive reporting requirements that would tell us who is being served, what services they are receiving, and how well these services are being provided. Without an emphasis on long-term training, high wages as well as job retention and career growth, JTPA participants will not benefit from these programs.

Selection of Service Providers

Labor organizations and community-based organizations should be given priority in selection of service providers for displaced and disadvantaged workers.

Unions know the needs of their members best and can provide quality retraining and reemployment assistance to laid-off workers. Many community-based organizations (CBOs) have an outstanding record of service to the disadvantaged and should be thoroughly involved in the design and operation of programs.

Prohibitions on Business Relocation

The AFL-CIO is concerned about the use of JTPA funds to help a business relocate. We are experiencing significant problems with this issue in a number of states. Section 141(c) of the Act states that no funds may be used to assist in relocating establishments unless the Secretary determines that such a relocation will not result in an increase in unemployment in the area of original location or any other area. What should be a clear directive is being misinterpreted by many states. To avoid future problems, we suggest that all cases involving JTPA subsidies to relocating businesses be approved only by DOL with the concurrence of the appropriate labor organizations.

Conclusion

Mr. Chairman, I appreciate this opportunity to present some of the AFL-CIO concerns about needed reforms of the JTPA system. I respectfully request that the AFL-CIO Policy Resolution Adopted November 1989 by the Eighteenth Constitutional Convention on "Employment and Training" be included in your hearing record.

Thank you.

Attachment

Employment and Training

Changing technology, wrenching changes in the structure of the U.S. economy, and intense competitive pressures at home and abroad are increasing the need for worker training and education, for jobs at the end of training, and for economic policies aimed at full employment.

To meet the nation's employment and training needs, the AFL-CIO calls for sustained action on a number of fronts:

Full Employment: The top priority of economic policy must be full employment. Jobs at fair and decent pay must be available for every person who needs a job and wants a job.

Community service, community facilities, and infrastructure programs funded by federal, state, and local governments and private institutions can make significant contributions to full employment in addition to their important economic and social contributions.

If there are not enough jobs in the private and public sector for all who want jobs, the federal government must be the employer of last resort.

To avoid unnecessary unemployment and to promote full employment, economic conversion planning is a rational and responsible effort to deal with plant closings and mass layoffs in defense industries and military bases and other government facilities. Legislation is needed to require development of standby job-protecting, job-creating economic conversion plans for defense-related plants and other government facilities.

Training: All workers should have opportunities for training and education to get jobs, to keep jobs, and to get better jobs. All workers, both employed and unemployed, should have opportunities for more education, basic skills improvement, training, retraining, upgrading, and upward mobility.

Training allowances and income support should be available for workers in training programs.

Trade unions have important responsibilities for supporting, protecting, and promoting training and education programs for union members and potential members. Employers and local, state, and federal governments also have basic responsibilities for supporting training and education for working people. Adequate funding with more federal support for these programs is essential.

Private and public sector cooperation in designing and implementing training programs is desirable and necessary, and labor organizations should have an equal voice with business in such cooperation. Unions should have an opportunity to review and comment on training programs before funding decisions are made.

Apprenticeship with its combination of on-the-job training and classroom instruction should be strengthened and extended to new developing occupations.

Dislocated worker adjustment assistance, Trade Adjustment Assistance, the Jobs Corps, and other effective national training programs should be sustained with adequate funds to help prepare young people and dislocated and disadvantaged adult workers for jobs. Training and services should be targeted on disadvantaged and dislocated workers who are most in need.

The welfare reform JOBS training program should be carefully monitored state-by-state to strengthen its beneficial potential— to provide good training for good jobs at fair and decent pay without displacing currently employed workers—and to prevent abuses which endanger children of welfare recipients and which force welfare recipients into low-wage, high-turnover exploiting jobs or into jobs which displace currently employed public or private sector workers.

Labor Market Institutions: Efficient labor market institutions can improve the matching of workers and jobs. In this process, labor unions have an important role that should be maintained and expanded.

The federal government should play a stronger role in promoting coordination of training and employment services at the state and local level. Training and employment programs supported by the U.S. Labor Department should give top priority to serving the needs of individual workers.

The U.S. Employment Service (USES) should become the recognized, accepted, adequately financed source of free employment-related services for all workers who need jobs and for all employers who need workers. The system should be federalized to meet the nation's need for a truly national labor exchange operating across state and regional boundaries. Proposals to "devolve" or defederalize the funding of the costs of administering unemployment insurance and job service programs would lead to destruction of the present federal-state system and drastically reduce services to workers and employers.

Aptitude test scores of workers at USES offices do not reflect the full range of workers' skills and abilities and experience. Therefore, aptitude test scores should be used for referral to jobs only when accompanied by job counseling and job placement efforts based on workers' experience and skills.

Labor representation should be increased on state job training councils and on business-dominated local private industry councils under the Job Training Partnership Act. JTPA provisions for consultation with organized labor should be strengthened and enforced. JTPA funding should be increased and training allowances should be available for workers in training. Labor organizations have a responsibility to make the JTPA-PIC system work as well as possible until it is improved or replaced.

The AFL-CIO calls for action in all of these areas to increase training and job opportunities for America's working people.

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Chairman **Perkins**. We appreciate your finishing, Calvin, in such short order. It was a good statement.

We appreciate what Ms. Keller had to say.

Without any objection, we'll hold the record open for any written questions that we would care to give to you or that any of the committee members would care to submit.

I know you are anxious to leave. I don't want to hold you while we go vote again. With that, I think we will announce the adjournment of this particular subcommittee meeting. I thank the witnesses for their kind consideration and patience.

Thank you.

Mr. **Goodling**. There are some days that we don't have any votes. Then this committee is the only committee I know that comes to the floor and spends a week there writing their bill on the floor.

Chairman **Perkins**. Yes. It is just one of those days. Adjourned.

[Whereupon, at 5:35 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

[Additional material submitted for the record follows.]

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STATEMENT OF

PAUL HELMKE

MAYOR OF

FORT WAYNE, INDIANA

CHAIRMAN OF THE HUMAN DEVELOPMENT COMMITTEE

THE U.S. CONFERENCE OF MAYORS

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

U.S. HOUSE OF REPRESENTATIVES

MAY 21, 1991

Mr. Chairman and Members of the Committee:

On behalf of The U.S. Conference of Mayors and my counterparts from cities all across this country, I appreciate this opportunity to testify before you on behalf of strengthening the Job Training Partnership Act. I also commend you for bringing attention to this important piece of legislation at a time when productivity, competitiveness and basic skills are critical. It is a chance to refine the mission of JTPA, to sharpen its focus, and to reaffirm and preserve its unique and valuable assets.

We have a choice to make. We can invest in our at-risk populations now and assist them in becoming assets to the future of this country, or we can pay for them as liabilities in the jails, drug treatment centers and homeless shelters around the country or on the streets of our nation's cities.

The message to cities and mayors is clear. We cannot allow students to leave our educational institutions without acquiring the basic skills needed for success in today's job market. We must do a better job of dropout prevention. We must deal with the need for day care, and we must recognize the changing face of our urban workforce. Predicted changes in the workforce of tomorrow are a reality in many of our cities. Minorities, women and immigrants already swell the urban workforce.

Many cities, using JTPA funds, have already made changes to focus services to those with the most severe barriers to employment. We are doing this despite the fact that we have sustained a steady erosion of funding over the last several years and are now serving less than five percent, and in some areas less than two percent, of the eligible population. The Job Training Partnership Act (JTPA) is an essential piece of legislation that provides a solid foundation for local communities to respond to the challenges of our changing labor market and labor pool. It established local elected officials and private industry councils as partners who could jointly provide policy guidance and oversight for a performance-driven system. It began a trend in performance-driven human service programs and emphasized increased linkages and collaboration with other programs aimed at our nation's most needy urban citizens. The Job Training Partnership Act must be maintained under its guiding principles of training, program performance, quality work opportunities, and economic self-sufficiency for our economically disadvantaged citizens.

The U.S. Conference of Mayors believes that a refocused and enhanced Job Training Partnership Act, as recommended in the Department of Labor's proposed bill for 1991, can be an effective intervention strategy in bridging the gap for an ever-expanding skills deficient population. There are several areas, however, in which we depart from the Administration's proposal. They are outlined below, along with some additional ideas you may wish to consider, concerning the amendments to JTPA:

Funding - Substantial additional funds are needed to reinvest in our human resources. The Job Training Partnership Act is a second chance program, but it needs a first rate commitment of resources. In particular we support more resources targeted to serve youth.

For too long, human resource investment has taken a back seat to other national priorities. Refocusing JTPA to serve a more disadvantaged adult and youth population with the need for more intensive services will be more expensive. Expansion of the program must begin immediately so that service levels do not drop further. We recommend a renewed dedication of funds and a return to direct federal funding of major urban areas, via block grants, etc.

Youth Initiatives - The country has become keenly aware of the fact that all youth must be equipped with basic skills. Funding year-round youth programs is an effective method for providing meaningful job skills. However, in many cities around the country, separate Summer Youth programs provide a critical avenue for our most at-risk urban youth. Giving our youth an alternative to the streets and some positive educational re-enforcement and constructive work during the summer can often keep them in school during the rest of the year and away from harmful influences. Although The U.S. Conference of Mayors concurs with many aspects of the Department of Labor's proposed amendments, we cannot support the elimination of the Summer Youth Employment Program. We encourage the continued funding of both a separate summer youth program and year-round youth initiatives.

The "Youth Opportunities Unlimited" (YOU) grants are an excellent means of stimulating innovation at the local level. Many cities have already initiated this kind of coalition building. We urge you to continue to support and expand such ventures and strengthen our ability to attack the problems on a community-wide basis.

Targeting - We support proposals to target limited JTPA resources to economically disadvantaged youth and adults with barriers to meaningful employment. However, neither a redetermined laundry list of barriers nor a specific number of arriers guarantees the targeting of services to those most-in eed. Any predetermination of groups targeted for eligibility ill inevitably omit some individuals in need of service and may constrain the ability of Mayors and PICs to serve the needs of their local labor markets in the best possible fashion. Individualized assessment of employability and the latitude to determine the barriers most applicable to local needs is the most appropriate response to improving targeting. Eligibility should be directed to the economically disadvantaged while targeting should direct the JTPA system toward serving those with skill deficiencies.

Cost limitations - The administrative cost limitation should be increased to 20 percent; currently it is totally inadequate. The increased oversight needed to direct a more demanding program effectively will be even more costly. Renewed attention to client needs necessitates an increase in the use of a case-managed approach to service. Creating a separate training category and separating it from "training related services and supportive services" breaks down the holistic case management approach which is JTPA's hallmark. Assessment, counseling, job search skills, transportation allowances and provision for day care are critical to the overall employment success of an individual. Our recommendation is to maintain the existing two category system of administration and training and rely on performance standards to drive the programmatic make-up of the program.

We are also concerned about last year's proposal to base spending percentages on an SDA's expenditures versus their grant allocation. Under these conditions an SDA would only be able to use a percentage of what they spend, which would remain uncertain until after the end of the program year. Obviously this would make planning and budget management a nightmare and virtually impossible to regulate with any accuracy. The U.S. Conference of Mayors urges you to reconsider the afore-mentioned amendments to the "cost limitations" category.

Fiscal Accountability - While we believe that there should be procurement and fiscal reform throughout the JTPA system, we feel that the federal government should capitalize on the quality systems already designed and working successfully on the state and local level. Many cities already have rigid contracting, monitoring and procurement standards which extend beyond both the OMB Circulars and the Generally Accepted Accounting Procedures (GAAP). Use of such systems could prove to be the best method of financial accountability. We strongly support maintenance of fixed-unit price contracting and adherence to the March 1989 DOL guidance memo.

Throughout the country SDA's are saddled with the costly and time consuming task of preparing for and responding to personnel from the Office of the Inspector General, the General Accounting

Office, state and ETA monitors. Audits are an important facet of any publically funded program. We as Mayors recognize this, however we too recognize the need for cost and time-efficiency. We request that the JTPA system be provided with an audit guide from which the SDA, the state, DOL, OIG and GAO will judge all of their activities and that all audits be performed in a similar and efficient fashion.

On-the-Job Training - While we support the development of more detailed OJT guidelines, we do ask that Congress be cognizant of the fact that JTPA's unique ability to serve the client's training needs in a variety of methods is one of its strongest points. OJT programs should be held strictly accountable for their ability to improve a person's work skills and job retention. Use of the Dictionary of Occupational Titles (DOT), or other credible occupational training resources, should be mandatory for determining the length of training contracts. OJTs, if monitored well, can be a valuable part of the JTPA array of service options.

Coordination - We commend Congress and the Department of Labor in their recognition of the need to coordinate efforts and resources among human resource investment programs. The true issues around coordination are local ones, since local communities are where people live and hope to work. Already, throughout our nation's cities, successful human resource development programs are operated by local governments, private industry councils, school boards, and public and private agencies. We ask Congress to strengthen those local coordination efforts with strong policy and fervent leadership.

The JTPA system alone cannot solve all of society's problems. Nor can it replace the nation's education system which must produce well educated individuals who are prepared to enter the workforce. The JTPA system can, however, be an effective intervention for those whom the economy, and often, the educational system have left behind, by equipping them with the tools necessary for self-sufficiency. The Job Training Partnership Act provides the opportunity to break the chain of dependency.

I applaud the Subcommittee for its efforts to restructure the JTPA system to meet this goal. The amendments which this committee will consider over the next few months are sure to contribute significantly to the needed refocusing of JTPA.

Thank you again for the opportunity to bring these issues to your attention.

Minnesota Technical College System

State Board of Technical Colleges
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WINONA

May 9, 1991

The Honorable Timothy Penny
U.S. House of Representatives
436 Cannon Building
Washington, DC 20515

Dear Representative Penny:

SUBJECT: Maintaining Section 123 of the Job Training Partnership Act

We strongly urge you to support and maintain Section 123 of the Job Training Partnership Act in any and all amendments to that legislation.

We have had a positive experience with the JTPA Education/Coordination funds in Minnesota. Commonly known as the 8% set-aside, we feel that this piece of legislation has worked exceedingly well and, without it, this state would not enjoy the level and quality of cooperation and innovation which currently exists. Because of the 8% program, JTPA participants have obtained a broader range and better quality of services through the combined resources of education, jobs and training, welfare and adult basic education. It is unlikely that these quality services would have taken spontaneously without the required coordination mandated by Section 123 of the JTPA Act.

Again, along with thousands of other educators and job training providers we feel that the 8% Education/Coordination set-aside has provided a very effective and multifaceted approach in helping individuals achieve their educational, employment and self-esteem goals which are so necessary for economic independence. Please support us in a program that is effective, efficient and which serves those most at-risk individuals in our state.

We would greatly appreciate it if our comments could be incorporated as part of the record of your committee's hearings and deliberations. Thank you. Please feel free to contact us if we can be of any assistance in this matter.

Sincerely,

Carole M. Johnson

Carole M. Johnson
Chancellor
(612) 296-3387

CMJ/BMN:fn

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May 15, 1991

The Honorable Carl C. Perkins
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Perkins:

I respectfully request that this letter be introduced as written testimony at the May 21, 1991, hearing of the Employment Opportunities subcommittee of the House Committee on Education and Labor on amendments to the Job Training Partnership Act.

Let me begin by stating that I believe changes should be made to the existing Act and that Congress must move quickly to enact amendments that will both expand and improve the quality of job training services for those who are most in need, and improve fiscal accountability. Within the past few years, a number of reports have been published by the General Accounting Office, the U S Department of Labor, and the Office of the Inspector General at the U S Department of Labor which have focused on certain weaknesses of the delivery system of the program. Additionally, the Congress and the Administration have introduced proposals to address these weaknesses but have been unsuccessful in getting a bill passed. The debate, however, surrounding these bills has resulted in a clearer understanding of what will or will not work in the delivery of job training activities at the local level and the issues have been reduced to a short list.

We have worked very closely with NACo over the past several years in regard to proposed JTPA amendments and we support the following positions and recommendations that they have recently released. Below is a summary of these and their rationale.

1. PROGRAM DESIGN: Programs should be designed with the overall needs of clients in focus, which should be the determining factor in assigning costs to various categories.

We support proposed changes that would better ensure the assessment of client needs and the provision of basic, remedial occupational training and support services needed. However, overly prescriptive mandates that specifically dictate how programs must be designed should be avoided. This approach will severely hamper local flexibility in making decisions about the ways in which program services should be delivered. Overly prescriptive program designs may force service delivery areas (SDAs) to expend funds and provide services that do not benefit participants. SDAs should be granted the flexibility to transfer funds between their adult and youth programs to increase the overall effectiveness of job training services.

SDAs have responded positively to DOL's request that job training programs be enhanced to ensure that clients receive the broad range of services necessary for becoming productive workers. However, the needs of clients vary from SDA to SDA. Efforts to impose specific program designs on SDAs may negatively impact client participation by reducing a person's willingness or ability to remain in the program. Recommendations that job training programs emphasize educational and remedial activities and discourage job search assistance when offered independently of other services are appropriate. However, requirements that specific program designs be followed are inappropriate given the diversity among SDAs.

For example, efforts to eliminate job search assistance services may result in the inability of SDAs to serve the category of people who cannot afford to remain in job training due to financial emergencies, but who need assistance. Failure to assist these people may deny them access to the job market. Further restrictions on work experience should be lifted. For many clients, a job is a more practical alternative to on-the-job training. It is especially useful in recessionary periods when the availability of non-subsidized jobs and on-the-job training positions in the private sector are limited.

In the past, local officials have been able to design training programs that met the specific needs of clients and employers alike. Because local officials are in the best position to know the needs of clients and the business community, they should retain the flexibility to design their programs. Due to the proximity in locales of SDA administrators and clients, program design capacity should remain the same.

2. COST CATEGORIES AND LIMITATIONS ON SPENDING: Current expenditure limitations should be structured so that effective job training and support services may be provided to participants.

Increased reporting, management, client follow-up and audit requirements have placed additional fiscal burdens on local job training programs. The current administrative cost limitation of 15 percent is inadequate to meet these increased requirements and their related costs. To address this problem, the administrative expenditure limit of 15 percent should be raised to 20 percent. Moreover, the amount of administrative management dollars available in any program year should be based on the local job training program's or SDA's allocation and not on its expenditure level.

Current law establishes three cost categories (administration, supportive services and training) for all JTPA Title II programs. However, it should be amended to include two cost categories. The first, management, should include those expenditures now classified as administration; the second, training, should include all other expenditures. And these categories should be used to test the negotiated price of fixed unit price contracts.

Whether or not current law is amended to reduce cost categories from three to two, client assessment activities should be classified as a training activity. Current regulations, which permit assessment, job search, counseling, job development and placement activities to be charged to training, must be maintained to ensure that participants receive appropriate education, job training and related assistance.

The law should be amended to allow 100 percent of work experience and counseling costs to be charged to training.

A. ADMINISTRATIVE COSTS: The law allows SDAs to expend up to 15 percent of each year's allocation on administrative activities. These activities cover programmatic and fiscal responsibilities mandated by JTPA, but not those directly related to the provision of training. We believe that the administrative cost limitation must be raised from 15 to 20 percent to ensure that programmatic and fiscal responsibilities are met, such as those required by recent changes to JTPA Annual Status Report (JASR) and those based on recent reviews by DOL and the Office of Inspector General.

B. SUPPORTIVE SERVICE COSTS: The law allows SDAs to expend 15 percent of funds for supportive services. Supportive services include needs-based payments and other assistance designed to help clients meet financial obligations while in training. SDAs may provide financial assistance to clients for transportation to and from training, meals, day care services, or other needs that, if not paid for, might prevent clients from remaining in the job training program. Under law SDAs may expend more than 15 percent on supportive services, without requesting special waivers from governors, if the total expenditure for administration and support does not exceed 30 percent. However, recent DOL initiatives have underscored the need to provide clients with longer term, enhanced job training assistance. SDAs have attempted to respond by providing enhanced, long-term job training, but local programs must have sufficient funds available to maintain support payments. Therefore, we urge an increase of the limit on supportive services expenditures from 15 to 20 percent and the limit on joint administrative and supportive services expenditures from 30 to 40 percent. Use of supportive services resources in this manner is critical if local programs are to move successfully to longer term, enhanced job training for harder-to-serve clients.

C. COST CATEGORY CALCULATIONS: Current law permits a local job training program to use up to 15 percent of its annual grant on administrative activities. Such an approach allows service delivery areas to determine the amount of funds available for administration. SDAs can plan for administrative activities based on a predetermined amount. Efforts to amend current law so that administration expenditures are based on a percentage of actual annual costs will add a substantial amount of uncertainty to the planning process.

Moreover, current law prohibits SDAs from altering the "character" of the funds. Once funds have been allocated to a specific cost category they must retain that character even if they are carried over to the next program year. Thus, training funds which are unexpended during one program year may not be rolled into the total grant against which administrative, supportive and training funds are allocated. These funds must be carried forward as training funds and spent as such.

D. COST CATEGORY CHANGES: Efforts to increase the number of cost categories from three to four (administration, support, training and training-related services will prove burdensome and problematic. Increased regulation, additional accounting and financial management, and decreased client assistance will be the consequences of this change. Efforts to reform the cost category system should focus on simplification. The Job Training Partnership Act Advisory Committee noted that two principle activities dominate the job training system. The first, program management, includes all administrative activities. The second, services, includes all those activities directed at the clients. Establishment of two categories (management and services) would enable SDAs to allocate funds more efficiently and ensure that funds are available to meet the broad range of job training services that local programs are required to provide.

Furthermore, cost categories effectively direct SDAs on how to expend their funds by ensuring that they will spend up to the mandated limit. In other words, cost categories guarantee that a specific amount of money will be spent regardless of whether that is in the interest of the local program and its clients. Specifically, 15 percent is spent for program administration, 15 percent for support services, and 70 percent for training (61 percent for training and 9 percent for training-related services, if the proposal to establish four cost categories is adopted). To ensure that funds are expended in an efficient and effective way, we recommend that Congress and DOL consider a system of incentives to job training programs. This system would recognize those programs that expend their funds in the most efficient and effective way by coordinating their training activities with community colleges, Pell Grant institutions, welfare and economic development agencies and other federal, state and local programs, for example.

Finally, we recommend that JTPA's Title III cost categories be amended to reflect those used in Title II and that the cost categories in Title III be based on allocation, rather than expenditure, as provided in current law.

E. WORK EXPERIENCE: Work experience is a training function. It is an important and valuable job training tool. It enables SDAs to provide clients with valuable job site experience, which, when based on a system of competencies, provides clients, especially those with limited or no work experience, with job-related and workplace skills. It has been shown to be a very valuable training tool for dropouts who may reject classroom training but are willing to accept training at a work site for which they are paid.

3. FISCAL INTEGRITY

A. FIXED UNIT PRICE CONTRACTS: Performance-based contracting should be maintained.

Problems indentified earlier in fixed unit price contracting, due largely to a lack of federal or state guidance in procurements and the use of excess revenues, have been addressed by DOL's March 1989 policy guidance letter. It promulgated procurement standards, FUPC reimbursement procedures and guidelines for the use of excess revenues. These corrective actions should be adopted, implemented and their effectiveness evaluated to address the concerns of the Inspector General.

The elimination of FUPC as a contracting method would eliminate an important contracting tool used by SDAs to ensure contractor compliance. Fixed unit price contracts enable SDAs to deny payments to contractors when they fail to achieve the training and job placement goals required by their contract.

Congress and DOL have expressed some concerns over the use of FUPC. However, the U S Department of Labor, in keeping with its ongoing efforts to improve the system's contracting and procurement procedures, has proposed a set of guidelines to permit the continued use of FUPC and guarantee that fiscal integrity be maintained.

B. FISCAL MANAGEMENT: To ensure the fiscal integrity of the job training system, we urge the adoption and implementation of stronger rules governing financial management, stronger accountability statements and clear definitions of terms such as "reasonable and necessary" costs and profits.

Appropriate fiscal management of local JTPA programs is a principle concern for job training administrators. Nothing can do more harm to the job training system than allegations of improper fiscal management.

A hallmark of the nation's job training system has been the ability of states SDAs to adopt fiscal management, procurement and cost determination systems that fit the specific needs and requirements of the state or local jurisdiction. However, questions have arisen about the appropriateness of these varied, locally based fiscal management systems. The Inspector General, in particular, has raised significant questions about their appropriateness.

Various amendments to the Job Training Partnership Act have been proposed to address this issue. We support amendments that would maintain the system's high level of fiscal integrity through the use of generally accepted accounting principles for government. Because of the diversity in state and local approaches to fiscal management, and the lack of clarity from DOL on the type of fiscal management system it would prefer, concerns have been raised about validating the overall fiscal integrity of the job training system. However, much of this concern results from problems experienced by the Inspector General in adjusting audits to fit various state and local fiscal management systems.

The fiscal management system should not be adjusted to satisfy the needs of auditors. However, we believe that stronger rules, stronger accountability requirements and stronger conflict of interest guidelines would enable SDAs and states to modify their local fiscal management systems so that fiscal integrity is maintained. Each state, in cooperation with local job training programs, should establish fiscal control, accounting, certification and monitoring procedures that are in accordance with government generally accepted accounting principles.

4. CLIENT ELIGIBILITY: People who are economically disadvantaged should continue to be eligible to receive services under JTPA.

Efforts to segregate economically disadvantaged people into groups based on levels of need deny the reality that all economically disadvantaged persons are in substantial need and should be able to avail themselves of job training services by provided JTPA programs.

With limited resources in JTPA, we recognize the need to give priority for services to those who are most in need. Legislation should be enacted that would give priority for services to economically disadvantaged individuals who exhibit skills deficiencies, have poor work histories and have limited English language proficiency, although specific percentages should not be assigned to any of these characteristics. Moreover, local job training programs should be encouraged to emphasize services to target groups designated by local officials, identified in the local job training plan and approved by the state. To reduce paperwork at the service delivery level, people receiving Aid to Families with Dependent Children (AFDC) and other transfer payments should be automatically eligible to receive JTPA services.

Support is urged for increasing from 10 to 15 percent the eligibility window for adult and youth Title IIA participants who are not economically disadvantaged but have significant barriers to employment, as identified by the local service delivery area's private industry council and local elected officials.

Local service delivery areas assess their local economic circumstances and make decisions about who to serve, based on a target group's relative share of the eligible population and the provision of equitable services. Members of Congress have proposed legislation to address the job training needs of those considered most in need and DOL has modified performance measures to direct SDAs to serve these individuals. However, efforts to target services should be based on the skills deficiencies of economically disadvantaged people rather than their personal characteristics. Consideration should be given to lack of job skills, education and work experience rather than whether or not participants are welfare dependent or exhibit other characteristics, since it is skills deficiencies that prohibit individuals from becoming economically self-sufficient.

Many youth who are economically disadvantaged, but who do not meet the JTPA economic guidelines, are at considerable risk of dropping out of school. The overwhelming number of dropouts within minority communities demonstrates the severity of this problem. However, not all of these youths come from households that meet the JTPA economic guidelines. It is necessary to expand the eligibility window from 10 to 15 percent to reach these youth who need our services but do not qualify under the JTPA economic guidelines.

5. SUMMER YOUTH EMPLOYMENT AND TRAINING PROGRAM: A separate summer youth title is imperative and must be retained. SDAs should retain the authority to combine the summer youth program with in-school and other youth activities under JTPA to address the employment and training needs of youth in a more comprehensive manner.

Eligibility under Title IIB should be open to all economically disadvantaged youths, regardless of school status. Priority should be given to youths with basic and vocational skills deficiencies, school dropouts, teen parents and others with barriers to employment. Local flexibility should also be retained in determining services for at-risk youth, because their needs must be addressed through a variety of programs.

Continuation of the summer youth employment and training program is crucial to the overall success of JTPA. Many economically disadvantaged youths may not be in need of specific job training services or in need of a year-round program, but may be in need of the financial assistance a summer job provides in order to stay in school. Evaluators have pointed to the success of summer youth programs that include remedial components. Youth participating in those programs generally return to school with little or no academic slippage; some actually show academic gains. During a period when dropout rates are increasing and when economic safety nets are decreasing, the elimination of the summer youth employment and training program may mean that many economically disadvantaged youths will be unable to obtain summer employment, to realize the benefits of summer work experience including involvement in productive activities, or to have the financial assistance they and their families need.

6. PROGRAM SET-ASIDES: To increase the percentage of funds available to local SDAs, funds currently included in the set-asides for older workers and education should be passed through to SDAs for coordination grants.

These coordination grants should be awarded by SDAs, according to distribution formulas determined by local officials, to local education agencies, veterans organizations, unions and community-based organizations. These grants should be administered in accordance with a plan developed by local officials and should be used to provide direct services to clients. The specific purpose of these grants should be to improve services to clients and relationships among SDAs and the organizations.

The 6 percent set-aside for incentive grants must be maintained with an amendment that calls for not less than one-sixth of such funds to be passed through to the SDAs according to a formula used for capacity building.

Efforts by the Congress and DOL to further target services to those considered most in need and to enhance the quality of job training services will lead, generally, to increased expenditures per client. Therefore, SDAs will need additional funds to maintain current service levels. To increase funds at the local level, the older worker and set-aside programs should be eliminated and the funds should be passed through to SDAs for coordination grants at the local level. This would enable SDAs to reward those organizations that coordinated their services with JTPA and increase the overall funds available for program implementation so long as the services provided are in conformance with Title II performance criteria.

The 6 percent incentive grants awarded to SDAs for performance is targeted at the hardest-to-serve clients. To continue to meet the goals and objectives of Congress and the Administration in training the hardest to serve, this set-aside should continue.

7. ON-THE-JOB TRAINING: To run an effective on-the-job training program, local discretion to determine the length of training should be based on client assessment, employability plans and references such as the DOT/SVP. To address the problem of excessive use of OJT, we suggest limiting it to six months. However, the governor should be granted the authority to grant a waiver under justifiable circumstances. Brokered OJTs, provided by a third party, should be maintained because they represent an important component of the JTPA training program. However, appropriate limitations should be placed on brokered OJTs, such as the length of a contract, the structure of the contract and the contents of that contract.

On-the-job training, overall, is a very important training tool. Not only does it ensure that an individual receives an income while in training, but it provides him or her with work-based learning, which has received considerable favor by experts in employment and training. Brokered OJTs are particularly useful in rural areas where travel and client accessibility may severely limit a service delivery area's ability to assist an eligible client. Similarly, individuals who are part of a specific target group may be unwilling to obtain job training assistance, in general, from the local job training program because they are not convinced that the SDA is capable of addressing their specific needs. Examples of such groups are ex-offenders and recent immigrants. In both instances these groups are not likely to trust individuals who do not share a common background or heritage.

8. SUNSET PROVISION: Permanent authorization for the Job Training Partnership Act must be maintained. A sunset provision for JTPA is ill conceived.

The Job Training Partnership Act is an integral part of the nation's training and employment system. It is the preeminent provider of training and employment assistance to the nation's economically disadvantaged population. The need for the services it provides will be permanent and ongoing. To deny them access to job training and job placements will prolong their dependency on federal entitlement and other welfare programs.

Some people have suggested that a sunset provision would result in constant and disruptive congressional review of the JTPA. However, congressional review of the program has taken place on numerous occasions since it became law in 1982. The inherent danger in a sunset provision is that Congress may pass any legislation it deems appropriate, simply to ensure the program's reauthorization without regard to the implications of the legislation.

We strongly feel that reforms to JTPA must be done with great care. The reason has less to do with the perpetuation of the JTPA system, and more to do with the continued availability of this program for the nation's economically disadvantaged and under-skilled.

As we move through the last decade of the Twentieth century, the preeminent economic position of the United States is being severely challenged by Germany, Japan and Europe, which in 1992 is expected to be transformed into an economic empire of unequaled proportions. As the U.S. manufacturing base shrinks, that of Germany and Japan is expected to grow. As American productivity declines, that of Japan and Germany is expected to increase. And as our ability to compete on world markets diminishes, that of Germany and Japan is expected to be enhanced.

Increasingly, we hear about the failure of our schools to properly educate our youth, about the inability of the vocational education system to properly train our young people properly for the work world, and about the lack of school to work transition programs. Increasingly, we also hear about the presence of very effective school-to-work transition programs throughout Europe and Japan and about a sophisticated vocational education system in Europe and Japan based on the premise that not everyone will go to college and those who do not should be brought into an apprentice-type program. If we are to retain our standard of living, we must confront these and related problems.

The Job Training Partnership Act is a second chance program that gives people the work-place skills they lack and helps them to become productive citizens, paying taxes rather than receiving transfer payments. With the help of Congress and the DOL, JTPA programs can play a fundamental role in the nation's effort to maintain a viable national and global economy.

We believe that if the Congress and DOL would refocus JTPA as recommended here, many of the necessary steps would be taken to improve an effective second-chance program.

Thank you for your consideration of this testimony.

Sincerely,

James R. Dean
Chair

HEARING ON PROPOSED AMENDMENTS TO THE JOB TRAINING PARTNERSHIP ACT

MONDAY, JUNE 17, 1991

House of Representatives,
Subcommittee on Employment Opportunities,
Committee on Education and Labor,
Bellmawr, NJ.

The subcommittee met, pursuant to notice, at 1:12 p.m., in the Bellmawr Municipal Building, 21 East Browning Road, Borough Hall 2nd Floor Courtroom, Bellmawr, New Jersey, Hon. Carl C. Perkins, [Chairman] presiding.

Members present. Representatives Perkins and Andrews.

Staff present. Patricia Fahy, senior legislative analyst; Deborah Katz, office manager; and Molly McLaughlin, minority staff assistant.

Chairman **Perkins**. Good afternoon, ladies and gentlemen. My name is Chris Perkins. I'm from Eastern Kentucky. It's a real pleasure for me to be here with you today. I was invited by my good friend, Rob Andrews, whose office is actually next to mine in the Longworth House Office Building down in Washington, to be with you and talk about some issues that we believe are very important.

Let me tell you a little bit about where I'm from, and what I have in my district. I have one town of 30,000 people. After that, probably my biggest town is about 10,000. I come from a rural area—my home town is 800 people. We have a lot of people spread out, and a lot of people that are looking for jobs. We have serious problems because people want to work, but they don't have the ability to, because there's nothing there for them.

As elected officials, we have to find the answers. Rob Andrews, when he came to Congress, was one of those people who was looking on the horizon for answers. He was looking to find some way that we, as elected officials, can represent our people in a better fashion. So, as a result of that, he joined the Employment Opportunities Subcommittee, of which I am privileged to be chairman. And together we're going to be looking at some programs like the Job Training Partnership Act. It is our fervent hope that we can utilize this act in some fashion to help you people here, in New Jersey, to have a better chance for jobs in the future, as well as the people in such disparate areas as the inner cities, and the mountains of Appalachia, where I am from.

So it is a pleasure to be with you, because I want to hear your problems from your people. That is why we are here. We want to hear what is on your minds, and what you can bring to the formulation of a bill that we are hoping to put together very shortly this year.

It is a real honor. And with that, I would like to turn to Congressman Andrews, and see what thoughts he would like to add to this committee meeting today.

[The prepared statement of Hon. Carl C. Perkins follows:]

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COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES
[illegible]
WASHINGTON, DC 20515

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

STATEMENT OF CHAIRMAN CARL C. PERKINS
HEARING ON UNEMPLOYMENT ISSUES and AMENDMENTS TO
THE JOB TRAINING PARTNERSHIP ACT
Bellmawr, New Jersey, June 17, 1991

Good afternoon and welcome to the Subcommittee on Employment Opportunities' hearing on unemployment problems in New Jersey and on proposals to amend the Job Training Partnership Act (JTPA). This hearing is the third in a series to examine proposals to amend JTPA. It is my true pleasure to conduct this hearing in Bellmawr, New Jersey, the home of my good friend and colleague, Congressman Robert Andrews. Mr. Andrews is a welcome addition to the Subcommittee, he brings a true expertise and commitment to employment issues. He was the first Subcommittee member to request a hearing, and has made a point of attending and contributing to each hearing that has been held. I was particularly pleased to have him accompany me to my home state of Kentucky for a hearing in April. It is now my pleasure to be able to return the favor by holding today's hearing in the great State of New Jersey, and I look forward to a long and productive working relationship.

I know that each of us here today is concerned about the economy and the continued recession. JTPA is only one program to address worker skills and training issues. When at its best, JTPA helps to improve the competitiveness of American workers. Unfortunately, it only reaches a small percentage of recently dislocated workers and only a small percentage of the working and unemployed poor. I am committed to improving this program and to ensuring that extremely limited job training dollars are spent efficiently and effectively. I am also committed to working with my colleagues to increase funding in this program to begin to reach more of those in need.

If we are to ever solve the overwhelming problems of unemployment, poverty, crime, dependency, and utter hopelessness among so many in our Nation, we must provide better opportunities and alternatives for productive employment. I am well aware of the wide-spread criticism of this program, and I plan to introduce amendments to correct these problems. These amendments may be comprehensive or, at times, controversial, but I am committed to addressing every problem that has been cited as a reason not to increase funding in this program. I look forward to hearing form each of the witnesses here today, and I look forward to working with each of you. Knowing that Mr. Andrews has helped to establish a workfare program in Camden County, I particularly look forward to his input at this hearing.

Chairman **Perkins**. Rob, go ahead.

Mr. **Andrews**. Thank you very much. Thank you, Chairman, and thank all the interested people from the public who are here today. I would like to welcome you to my home town, of which I am very proud, Bellmawr, New Jersey, the capital of the civilized world, as I see it.

[Laughter.]

Mr. **Andrews**. There are always a few dissidents out there. We know who you are, and we know where you are.

[Laughter.]

Mr. **Andrews**. I had the opportunity about 2 months ago to travel to Eastern Kentucky, which is the district that Chairman Perkins represents, and there were some things that were different about that district. But, I was more impressed by the things that were the same as where we are here today.

Chairman **Perkins**. Let me interject one thing. What he really liked was the Dairy Cheer, with the smashburgers and the onion rings. But, continue on there.

[Laughter.]

Mr. **Andrews**. I am a little affronted. I would remind the chairman that the proper form of address is, "Will the gentleman yield?" I thought you would have learned that by now.

[Laughter.]

Mr. **Andrews**. Some things were very different. The towns were a lot smaller than our district. The district is a lot larger, it took a lot more time to drive through it. People talked differently than we do. Chris keeps telling me that we talk funny,'I keep telling him, it is him.

Chairman **Perkins**. But, I am Chairman, remember?

Mr. **Andrews**. That is right. For now, Chris.

[Laughter.]

Mr. **Andrews**. I guess he might appropriately say, I am a Member, for now.

Chairman **Perkins**. That is the next line.

Mr. **Andrews**. I was impressed more by what we had in common than by what was different. And what we had in common was, Chairman Perkins had a meeting in his district about the prospect of going to Kuwait to get work in the rebuilding of Kuwait. And I thought maybe there would be 20, 25 people at the hearing. The hearing was held in the all purpose room of a middle school, and there must have been 300 people at that hearing.

And what I thought was distressing about that is that, here we are in Eastern Kentucky, and we had 300 people, first of all, who were not working that day, who had time during a weekday to be out at a hearing, and secondly, who were willing to move halfway around the world, because there were no jobs for them here in the United States.

And driving through that district, it was obvious that there is a need to rebuild some of the highways and roads. There is a need for better housing, just as we have here. There was plenty of opportunity to talk about rebuilding Kuwait, but not much opportunity to talk about rebuilding Eastern Kentucky, or rebuilding Southern New Jersey.

Chairman Perkins has been a leader in the Congress for a number of years in refocusing the focus of national priorities and national policy, so that we start talking more about our own needs. And when I went to that hearing, I thought that we have many of the same needs that I saw in Eastern Kentucky. And under his leadership as we begin the process of rewriting the Job Training Partnership Act, to try to make it more responsive to those who are without work, that this would be a good place to go.

Last week, the President of the United States chastised the Congress for failing to act in the last 100 days on two pieces of legislation he put forward. One was a crime bill, the other was a transportation bill. And he said that, if we could not act within 100 days, it was a failure on our part, as Members of Congress.

Well, a lot of other things happened in the last 100 days, as well. One hundred sixty three thousand Americans lost their jobs in the last 100 days, 1,200 banks failed in the last 100 days. In the last 100 days, we received a news report for the first time in the history of the United States, the majority of the cars sold in this country were made somewhere else, and not in the United States. Fifty-one percent of our car market is now foreign cars. For the first time since the Great Depression, the rate of home ownership went down in the last 100 days, and not up, looking back a year's time.

We are concerned about those things that happened in the last 100 days. We are concerned about the people that have gone into the job training offices in Southern New Jersey, and despite the best efforts of the professionals who worked so hard there, there were no jobs to steer those people to.

We are concerned about the fact that our industrial base is crumbling and slipping away, and that people are not making and manufacturing and exporting things. We are not going to solve that problem here this afternoon. But, I wanted the Congress of the United States in general, and this committee, in particular, to know that the problems we have here in Southern New Jersey are serious, they are severe, and they demand some action. We want to go back to the President and to the leaders in Congress and say, let us talk about not the last 100 days, but the next 100 days. And let us get ourselves an anti-recession program, let us get our housing market back on track, let us get our construction workers back to work, and let us get something moving again in the country.

So, we are here today to hear the thoughts of some very distinguished witnesses about that, and I look forward to what those witnesses have to say. And Chris, if you are interested in moving here into our district, and participating with us, you are welcome to do so, just a little bit up north in the 13th District, not here.

Chairman PERKINS. Well, I am not moving any time soon, but I am pleased, indeed, to be with you. On a serious vein, I am looking forward to hearing the testimony and trying to utilize it. And we are trying to synthesize testimony given to this committee over the course of these hearings. We are having them in Washington, and some other places, as well, in the future. But, we want to put together something that is going to try to help people gain employment in this country, and I am looking forward to hear what you have to say.

Let me welcome the first panel, George E. Norcross, Jr., president of the AFL-CIO Central Labor Union of Camden, Gloucester Counties, Camden, New Jersey, and Jack McCormick, president, the Camden County Board of Realtors, Stratford, New Jersey. I welcome both of you gentlemen here today. I would ask all witnesses to try to limit their testimony to right around five minutes. I do not want to be too strict about that, but we have about ten witnesses, and I am sure we will have a number of questions. And we want to try to move through this hearing in an organized and timely manner. So, with that, I would like to turn to Mr. Norcross, and allow him to begin his initial statement.

Mr. **Andrews**. Chairman, if I might, and Mr. Norcross, just one second, I did want to take a moment to thank and introduce our host for today, someone who sits in the chair where, I guess, you are sitting now, it is his usual seat. He sat there for 17 years now, and he is the senior mayor of the mayors in Camden County. He is someone who has done a great deal for me, as an individual, for my family, someone I admire and respect very much, the mayor of the Borough of Bellmawr, our host today, Mayor Joe Petruzzi. Joe, thank you and welcome.

Chairman **Perkins**. With that, we will turn to Mr. Norcross.

STATEMENT OF GEORGE E. NORCROSS, JR., PRESIDENT, AFL-CIO CENTRAL LABOR UNION OF CAMDEN/GLOUCESTER COUNTIES, CAMDEN, NEW JERSEY

Mr. **Norcross**. Welcome to South Jersey.

Chairman **Perkins**. Good to be here.

Mr. **Norcross**. Happy to have you here. I am very appreciative of the opportunity that I have been given to testify before this subcommittee, and I will very definitely limit myself to five minutes.

The unions and working people in the First Congressional District are in deep, deep trouble. Over the last 15 years, more than 200,000 industrial jobs have been lost in Southern New Jersey. I am 62. When I was in my 20s, the garment industry and the glass industry were two of the largest in Southern New Jersey. The garment workers had a minimum of 25,000 to 30,000 workers. Today, in all of Southern New Jersey, there are 1,500 garment workers. And within the next 2 years, they will lose their jobs.

The glass industry had untold tens of thousands of workers. We are down to somewhere in the neighborhood of 4,000 or 5,000. So, when I say we are in deep trouble, that will just give you an example. In the immediate area, we have several large employers. The GE plant in Camden has been gradually dying for years. It was given some rebirth a year or so ago when free holder—then free holder—director, Rob Andrews and a group of others, encouraged GE to stay here, and worked through the State to keep them here.

Just within the last couple of weeks, on Broadway and Camden, over 400 poultry workers lost their jobs at the Lambersky Company. Certainteed, I think, the beginning of this year, shut down—500 workers. The Lambersky plant was primarily women, and primarily minorities. While they were working, their wages were not that high, but they had a benefit, health and welfare benefit package, some pension privileges and benefits, which have been lost.

Same thing, Certainteed. About a year ago, the Campbell Soup plant in Camden, with roughly 1,000 workers, shut down. These are just a few. The construction trades have been devastated in the last year. There is a local union of the carpenters that had roughly 1,000 members, whose primary responsibility was building homes. Today, they have, at best, 150 working. And, this is throughout the construction trades. And as I indicated, I believe that the industrial capacity in South Jersey, as well as probably the whole damn country, has been lost.

I picked up a copy, just an hour or two ago, of the AFL-CIO news that has a headline in Kansas City, Missouri, about the Ford City Motor Company announcing it had a 100 job vacancies. Over 28,000 applicants, for 100 jobs, were processed through the unemployment offices and other agencies in the Kansas City area. So apparently what is happening here is happening throughout the country.

I mention the garment industry, because I think it is one of the mainstays of female employment. The garment industry is primarily female. These female workers received benefits. Today, thousands and thousands of them are out of work, have had to fall to the social service agencies. They have lost their unemployment, and many of them, who are in their 40s and 50s, find themselves reluctant to get into any training or any programs for advancing their skills.

And most people who are laid off cannot get a job at what their previous rate was. My personal opinion is that, during the last 10 or 12 years, the administration in Washington has been for rich people, making the rich richer, the middle class poorer, and the poor without anything.

And South Jersey, unfortunately, is a typical example. If you have driven through the City of Camden, you can see what the loss of industry has done. You can go through any town in South Jersey, and see that we are losing jobs every week by the thousands. JTPA has provided some assistance at the Campbell Soup plant in Camden. They were in there before the layoffs actually took place. It was a combination of people trying to help them, but even today, there are between 300 and 400 Campbell Soup workers who have not obtained employment, and they've been out of work for 15 months or so.

We were talking just a few minutes ago, in fact, Bo McQuade said, if this country went into a major war, other than using the weapons and materials that are stockpiled, we probably couldn't fight in a world war, because a majority of our defense materials are imported. Parts of automobiles, tanks, airplanes, clothing, ammunition—no matter what it is—a big chunk of it is made overseas.

I would just like to take a minute and talk about the GE plant in Morristown. Three or 4 months ago, hundreds and probably thousands of people joined with GE and governmental officials in trying to get the Aegis contract renewed. And fortunately, it was. Within 48 hours of the Defense Department's announcement that the Aegis contract was going to be renewed with GE, GE made an announcement that between 1,500 and 2,500 of those jobs were going to be lost. And a big chunk of it was going to be manufactured in Mexico.

Even the Republican Congressman from the 13th District went gaga when he heard that. But, this is, you know, typical of what has been happening in South Jersey, and probably the whole damn country. I do not know what the answer is. I think it might be, I am close to retirement, taking my retirement, hoping it is going to be paid during my lifetime, and not worrying about it.

But when you think of the millions and millions of people across this Nation who want to work—you know, the vast majority of American people want to work. They want to work at a fair wage, and be provided some benefits. And hopefully, a pension. The way this country is going, it ain't going to happen. The rich are getting richer, the middle class are becoming poor, and the poor are just barely able to make it.

Whatever you can do, your committee can do—Congressman Andrews knows of these problems, as I am sure do 400 and some other Congressional Members plus the Senate, plus a reluctant President, whom I do not think wants to act on any of these problems. If we can get some action, something can be done, and I think we can probably resurrect the industrial capacity of this country, and provide for working men and women of this country.

We ask for your assistance, we beg for your assistance. Hopefully, we will get the assistance of you and your associates in the Congress. Thank you.

[The prepared statement of George E. Norcross, Jr. follows:]

JTPA TESTIMONY - JUNE 17, 1991

GEORGE E. NORCROSS, JR.
PRESIDENT, AFL-CIO OF SOUTHERN NEW JERSEY

HONORABLE CONGRESSMEN ROB ANDREWS AND CARL PERKINS, DISTINGUISHED MEMBERS OF THE PANEL, AND RESPECTED GUESTS, PLEASE ACCEPT MY THANKS FOR THIS OPPORTUNITY TO DISCUSS THE STATUS OF LABOR UNIONS AND UNEMPLOYMENT IN SOUTH JERSEY.

THE UNIONS IN THE FIRST CONGRESSIONAL DISTRICT ARE IN TROUBLE - DEEP TROUBLE. THE RECESSION, COMBINED WITH THE CHANGING AMERICAN ECONOMY, HAS DELIVERED A KNOCKOUT PUNCH TO THE MIDSECTION OF SOUTH JERSEY'S WORKING CLASSES. IN FACT, I HAVEN'T SEEN SUCH WIDESPREAD UNEMPLOYMENT IN OUR RANKS SINCE THE RECESSION AND STAGFLATION OF THE EARLY 1970'S.

LAST WEEK, A POULTRY BUSINESS IN CAMDEN CLOSED. THREE HUNDRED UNITED FOOD AND COMMERCIAL WORKERS LOST THEIR JOBS. BUSINESSES AND PLANTS CONTINUE TO LEAVE THE SOUTH JERSEY MARKETPLACE - CAMPBELL SOUP, GENERAL ELECTRIC AND OWENS CORNING FIBERGLASS ARE JUST SOME OF THE MAJOR MANUFACTURERS TO CLOSE UP SHOP IN THE PAST SEVERAL YEARS.

SMALL, LOCAL INDUSTRY - THE HEART OF THE WORKING CLASS - IS ALSO IN TROUBLE. CONSTRUCTION WORKERS - ELECTRICIANS, PLUMBERS, IRON WORKERS, GLAZERS - ARE OUT OF WORK. GLASS WORKERS ARE BEING LAID OFF.

THE SOUTH JERSEY GARMENT INDUSTRY IS NEARLY DEAD. TWENTY TO FIFTY YEARS AGO, THERE WERE 25,000 TO 30,000 GARMENT WORKERS IN THE SOUTH JERSEY REGION. TODAY, THERE ARE LESS THAN 1500.

GENERAL ELECTRIC IN CAMDEN CONTINUES TO LAY OFF WORKERS, AND THE GE AEGIS PLANT IN MOORESTOWN PLANS TO REDUCE ITS WORKFORCE BY A MINIMUM OF 1000 TO 1800 EMPLOYEES.

OBVIOUSLY, WE'VE LOST OUR INDUSTRIAL CAPACITY. AND WHAT MAKES THE SITUATION SO BLEAK TODAY, COMPARED TO THE 70'S, IS THAT THE SWITCH TO A SERVICE ECONOMY LEAVES UNION WORKERS WITH LITTLE HOPE THAT INDUSTRIAL JOBS WILL BE THERE FOR THEM IN THE FUTURE - UNLESS THEY MOVE TO MEXICO OR OVERSEAS.

THE ALTERNATIVE FOR UNION WORKERS IS TO RETRAIN AS CLERICAL OR COMPUTER OPERATORS, FOR INSTANCE, IN THE SERVICE INDUSTRIES. THAT PRESENTS OTHER PROBLEMS.

TYPICALLY, WORKERS IN THEIR 40S AND 50S DON'T WANT TO STAR OVER, ESPECIALLY AT MUCH LOWER PAYING JOBS.

THE SERVICE INDUSTRY JOBS NORMALLY DO NOT PROVIDE COMPREHENSIVE BENEFITS - BENEFITS THAT A FAMILY MAN OR WOMAN MUST HAVE TO PROVIDE RESPONSIBLY FOR HIS OR HER FAMILY. THAT INCLUDES LIFE INSURANCE WITH DISABILITY PROTECTION; COMPREHENSIVE HEALTH CARE INSURANCE - INCLUDING DENTAL AND EYE CARE; AND, RETRAINING OPPORTUNITIES WITHIN THE COMPANY.

MOST IMPORTANTLY, THESE WORKERS FEEL A SENSE OF LOSS, AND ABANDONMENT - THAT THE PEOPLE IN CHARGE IN WASHINGTON REALLY DON'T CARE ABOUT THEIR FUTURES, AND THEIR FAMILIES' FUTURES.

YOU HAVE AN OPPORTUNITY AS MEMBERS OF CONGRESS TO CHANGE

THIS SENSE OF LOSS AND ABANDONMENT, AND HELP TO RESTORE DIGNITY TO THOSE PROUD PROFESSIONS WHICH COMPRISE THIS NATION'S INDUSTRIAL CAPACITY.

WE ALL HAVE A GREAT DEAL AT STAKE IN MAINTAINING U.S. INDUSTRIAL CAPACITY. IF THE JOB MARKET CONTINUES AT ITS CURRENT PACE, IT WILL SOON BECOME THE PRESERVE OF EITHER LOW-WAGE OR HIGH INCOME EMPLOYMENT - WHICH LEAVES THE INDUSTRIAL MIDDLE CLASS IN THE MIDDLE - AND OUT OF WORK.

THIS STRATIFICATION AND SEPARATION OF AMERICAN SOCIETY TOUCHES THE FABRIC OF OUR NATION. OUR COUNTRY WAS FOUNDED ON PRINCIPALS OF EQUALITY - AND THESE PRINCIPLES EXTEND TO ECONOMIC FREEDOM. DO NOT CONSIGN THE AMERICAN WORKING CLASS WITH A DIFFICULT CHOICE - TO LEAVE OR ACCEPT UNDERCLASS STATUS.

THE JOB TRAINING PARTNERSHIP ACT IS A VALUABLE FEDERAL TOOL FOR PROVIDING ALTERNATIVES FOR UNION EMPLOYEES. IT WILL SERVE AS A MEANS TO BRIDGE LOW-PAYING AND HIGHER-PAYING JOBS, AND EXTEND TO THOSE WILLING TO WORK FOR IT AN OPPORTUNITY FOR ADVANCEMENT.

FEDERAL PROGRAMS LIKE THE JTPA REQUIRE SUPPORT FROM OUR ELECTED OFFICIALS. PROGRAMS LIKE THE JTPA LESSEN THOSE FEELINGS OF LOSS AND ABANDONMENT - AND HELP TO RESTORE A SENSE OF PERSONAL INITIATIVE AND ACCOMPLISHMENT.

AS ACTIVE MEMBERS OF CONGRESS, YOU HAVE TAKEN THE STEPS TO LEARN HOW THE GENERAL PUBLIC FEELS ABOUT IMPORTANT ISSUES LIKE THE JOB TRAINING PARTNERSHIP ACT. I HOPE THAT YOU WILL TAKE THE INFORMATION THAT I AND MY FELLOW PANELISTS WILL PROVIDE YOU, AND TRANSLATE IT INTO A FEDERAL AGENDA THAT TRULY BENEFITS AMERICA'S WORKING CLASS.

THANK YOU.

Chairman PERKINS. Thank you very much, Mr. Norcross.

We are going to hold questions until both panelists have spoken. So, at this time, I would like to ask Mr. McCormick, if he would, to give us the benefit of his wisdom.

STATEMENT OF JACK McCORMICK, PRESIDENT, CAMDEN COUNTY BOARD OF REALTORS, STRATFORD, NEW JERSEY

Mr. McCORMICK. Thank you very much for giving me this opportunity. The housing industry has long functioned as a barometer of the state of the economy. Only when business prospers, and employment is stable and secure, are people willing and able to commit themselves to the decision to purchase real estate.

Since 1989, realtors in the Delaware Valley have been monitoring the pulse of an unsure economy, and the pace of home sales throughout the market area has reflected increased unemployment and job insecurity at many levels.

Homelessness has become a major issue in Pennsylvania and New Jersey, as it has throughout the Nation. Tied to the issue of homelessness is the availability and even the existence of affordable housing. Real estate brokers and associates are among the first to see the inability of many of our citizens to afford to purchase a home.

When fewer young families and first time buyers are able to enter the housing market, then fewer growing families are able to sell their present homes to move into new or larger homes. Widescale reductions in the force of white collar and other professional workers in many fields have been reflected in the slowing sales of new construction, vacation homes, and upscale residences at the higher end of the price range. Thus, the housing market begins to stagnate, with inactivity at each level foreclosing activity at the next level.

A comparison of home sales figures for Camden County alone, between 1986 and 1991, bears out the state of the economy and the impact of unemployment in South Jersey.

A total of 5,798 housing units were sold in Camden County during 1986. In 1990, only 4,046 units were sold—a 30 percent decrease in sales in that period of time. During the first 5 months of 1991, a total of 1,268 units have sold. Comparing this figure to 1986 and 1990, we see that in the period of January through May of 1986, 2,511 homes sold in Camden County. During the same period in 1990, 1,685 units sold. At this point, midway through 1991, we are 50 percent behind the home sales record for 1986, and 25 percent behind one year ago, which was not a good year. Clearly, substantially fewer homes are being sold in the county today.

Further, it takes longer to sell a home. In 1986, the average number of days on the market in the county was 72 for the entire year. By 1990, homes remained on the market an average of 82 days before selling. During the first 5 months of this year, we are seeing an average days on the market figure of 91 days. Also, the percentage of houses that are listed and sold are fewer. In 1986, we sold 58 percent of all the homes listed. In 1990, we sold 29 percent of all the homes listed—by the way, listings increased 50 percent in that period of time—and, then, we sold 20 percent of all the homes listed in 1991 to date.

The Camden County Board of Realtors has taken an active position in trying to support efforts to maintain and increase the economic viability of our State, and of the entire Delaware Valley. Several issues, particularly, concern us, regarding their impact on quality of life, in general, and employment opportunity in particular.

The potential loss of large numbers of jobs for Delaware Valley citizens, through events such as the proposed closure of the Philadelphia Naval Shipyard, is of immediate and continuing concern. We have made our position known regarding the importance of the Philadelphia Naval Shipyard to both the military and the economic strength of our region, and of our Nation. The loss of thousands of jobs, which closure of the Yard would entail, is an economic blow this region could ill afford. If this should come to pass, employment opportunity and job training efforts of all types would, more than ever, be vital to this area.

Since the introduction of a proposed development and redevelopment plan for New Jersey, we have worked to support those individuals and organizations who favor responsible controlled growth that enhances economic opportunity for all sectors within our State, while preserving those elements that contribute to the qualify of life we have long enjoyed.

There can be no doubt, despite some growing signs of recovery, that economic stability in New Jersey is still a fragile commodity. Employment and any program that is able, successfully, to provide training that will help our citizens get and keep jobs, deserves our support. Programs that help to expand employment opportunities and match qualified workers with available jobs, likewise, are vital to the well-being of all of our communities.

Thank you for this opportunity.

[The prepared statement of Jack McCormick follows:]

Statement Given By

Jack McCormick
President
CAMDEN COUNTY BOARD OF REALTORS

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(more)

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Chairman **Perkins**. Thank you very much, Mr. McCormick.

Mr. Andrews, do you have any questions you would like to put to the panel?

Mr. **Andrews**. Just briefly.

George and Jack, thank you for your testimony and for your time. George, you made reference to the people who were laid off at Campbell Soup last year, machinists and food and commercial workers, and you indicated that a substantial number of those people are still not working. Generally speaking, what kind of jobs have the people gotten, who are working, from that group? How do they compare in terms of wages, benefits, and types of work that they are doing?

Mr. **Norcross**. Most of them have gone into service type jobs. Some retail sales, food service. The vast majority of them that have picked up employment have picked up employment at probably 50 percent of what their wage rate was. Very few of them have any benefits such as they had at Campbell Soup.

Mr. **Andrews**. If I could turn a moment to the trades, the construction trades, it is my understanding from talking to the business agents and union presidents in the council, that by and large, the only work that they have had in the last 12 months, 15 months, has been public sector work, is that correct?

Mr. **Norcross**. The vast majority. I would—they say that close to 100 percent of the construction jobs in the area are as a result of Economic Development Administration money. There is virtually no private money.

Mr. **Andrews**. And I think this would pick up on a point that Jack McCormick just made about home sales tying into new home construction. What is the present status of the new home construction field for union carpenters and electricians and so forth?

Mr. **Norcross**. Extremely limited. They have 150 people, at most, working. And at best, half of those are working on some new home construction.

Mr. **Andrews**. Finally, I know that an association affiliated with the AFL-CIO is the UOSS, the social services organization, and I know that you are very much involved in this. And for those that are not familiar with it, the local central labor council is heavily involved in providing social and human services to its members in a variety of ways. And I wonder if you could tell us, George, what kind of additional demands have been placed upon the UOSS in the last 12 to 15 months, in this recession?

Mr. **Norcross**. The UOSS provides services to everyone, whether or not they are union members—old, young, black, white, Hispanic, union, non-union. It started probably about 15 or 18 months ago. The increased calls have virtually doubled in 18 months. People who have run out of unemployment, have mortgages, hospital bills, no hospitalization coverage. And it has just been virtually impossible to try to provide them the services that they need.

You know, what really, I think, is a drag on the heart, is when someone calls up and says, I have a son or daughter graduating. I cannot afford to buy them a new pair of pants, a new shirt. If it happened 4 or 5 years ago, we would have had a little party. You know, we can get over that. But, the clothes, the shoes and such. The problems are just insurmountable.

Mr. **Andrews**. I know that many of the people who were victims of the layoffs at Campbell Soup, General Electric, Certainteed, some of the others that you mentioned, are older people in the workforce—not senior citizens, but people, say, in excess of 50 years old, that are not old enough to retire, and certainly have many years of work ahead of them, but are not new people that can enter the job market. What is happening to those people? What is happening to the 53 year old food and commercial worker, who got laid off from Campbell Soup? What is he or she doing today?

Mr. **Norcross**. They are barely existing today. I have met at least 20 to 30 over the last year who have lost their homes—had to put them up for sale, turn them over to someone to maintain the mortgages. But, they are barely able to exist now.

Mr. **Andrews**. Chris, maybe we can send them one of the thousand points of light? That might make them feel better, hmm? Thank you, George.

A question for Jack McCormick. Jack, you and I have had a chance to talk on a number of occasions about the impact that changes in tax policy in Washington have had on the real estate markets here in Southern New Jersey. Could you tell me, since 1986, what kind of changes have occurred, and why you think they have occurred?

Mr. **McCormick**. I am not sure why they occurred. My theory is, if it is not broken, do not fix it. And I think the old tax law was quite okay. It stimulated the economy and it stimulated real estate. Nineteen eighty-seven was the first year that we had to operate under the new tax law, and, of course, 1987 was slightly less productive than 1986. And 1988 was worse, and 1989 was worse, and 1990 and 1991, I just told you about. And I think we are probably at the all time low in 1991, at the moment, from any figures that I have ever been able to determine, locally.

I think if we do not restore capital gains, and take away that passive loss limitation, then I am not sure that real estate is ever going to recover back to the level of 1986. And I believe that if real estate does not recover, the economy is not going to fully recover. The two are tied together.

Mr. **Andrews**. Can you estimate for us the difference between how many people would be employed in a thriving real estate market in this area, versus how many are employed now? And I mean a ball park figure that would take into account construction workers and sales people and people who service the transaction of new homes. How many jobs is this recession costing us in Southern New Jersey, in your industry alone?

Mr. **McCormick**. Well there are 100,000 licensees in the State, but that does not mean that everybody is working. Our membership in Camden County was just shy of 2,000 last year. This year, we are down just below 1,200. So, there are 800 people that were members that were actively selling homes that are not selling homes at the moment in Camden County. Construction workers, I honestly do not know. I have heard that last year was a record low year for housing starts—in the State, it was 18,000, and that was a record. This year, they are down to 9,000. The record is being set in the wrong direction here.

Mr. **Andrews**. I would ask you, also, in the area of housing starts and this sort of thing, when you mentioned tax policy earlier, you mentioned capital gains, tax reduction. How would you and others in the industry react to proposals that would provide that capital gains tax, but require that, in order to get the benefit of the tax reduction, someone would have to invest their proceeds in the local domestic productive economy.

I mean, in other words, instead of saying that, if you have a capital gain, and you invest it in a Mexican electronics factory, or you invest it in an Argentinean copper mine, you get the tax break if you invest in housing in Gloucester County, or Burlington County or Camden County, but not if you fail to do so. How would you react to that kind of concept?

Mr. **McCormick**. Well, from my position, you know, in the real estate industry, I think it would be great. I am not sure everybody would want those limitations. It would certainly help spur the economy, especially in this area.

I think the two things that make our economy go in the State are real estate and cars. And those two items are hurting.

Mr. **Andrews**. Let me just close with one other question, and that is, a lot of the evidence we have heard from small business people, on this and other committees, is that there is a debate in Washington as to whether there is a credit crunch or not. And what I notice is that, when I come home and talk to small business people and others here in Southern New Jersey, they say, yes, there is. That it is very difficult for business people, particularly small business people, to borrow money, because banks, for a variety of reasons, are rationing down on credit.

Then, I go back to Washington, and I hear the Chairman of the Federal Reserve and the Secretary of the Treasury, and some others saying, well, there really is not a credit crunch, that it is just a figment of people's imagination. Given the interaction that you have as small business people with mortgage bankers and others, do you think there is a credit crunch, and, if so, could you speculate as to the impact of that credit crunch on our industry?

Mr. **McCormick**. I believe that there is a credit crunch. As far as mortgages for homes, owner occupied homes, there is really not a credit crunch when it comes to that. Of course, people are afraid to buy homes right now for one reason for another. As far as borrowing money on a commercial property, if you want to remortgage a commercial property, borrow money for business or cash flow, it is virtually impossible. And everyone I am talking to, it does not matter what the industry is, a cross-section of the business people I come in contact with daily, they are all having the same problem. The only way they can borrow money for their business is if they are able to refinance the house they live in, take those proceeds, and use it in their business, which is counter-productive.

Mr. **Andrews**. It sort of defeats the whole purpose of having a corporate set up, too, that you find yourself personally liable for what you want to do. Jack, thank you very much.

Mr. **McCormick**. Thank you.

Chairman **Perkins**. Thank you, Mr. Andrews. Gentlemen, just out of general interest myself, what is the unemployment rate here in the South Jersey area?

Mr. NORCROSS. It is fast approaching 7 percent.

Chairman PERKINS. My gosh, I wish I had 7 percent. Just wondering, so it is going to dramatically——

Mr. NORCROSS. I do not think those figures are accurate. They way they count a person——

Chairman PERKINS. I understand. The definition of unemployment, you have to be seeking work and etcetera. Real unemployment figures are much higher, yes, I understand. Mr. Norcross, the AFL-CIO's program, what do you do for training within the AFL-CIO? I know that nationally, there are a number of training programs that have been set up to train dislocated workers. Do you have any here, locally?

Mr. NORCROSS. We had the program until about 3 or 4 years ago. The number of people who applied for it had dropped, and we decided to finish up. But we had worked with the vocational schools, and the county department of education, in lining people up for training programs that we conducted, plus vocational schools and the county college.

Chairman PERKINS. Now, just talking in general job category areas, is it your opinion that there is more of a push—I think your testimony indicated this earlier—towards a service-oriented job in this area as opposed to construction or manufacturing type employment? Is that generally the way things are going?

Mr. NORCROSS. Very definitely. There are not that many industrial type jobs. Service jobs——

Chairman PERKINS. Are there any new industrial jobs that are coming on line, though?

Mr. NORCROSS. Very few that I know of.

Chairman PERKINS. So, in general, what you are telling me is that this area seems to be hit by what we have seen across the Nation: loss of manufacturing and construction jobs, and movement towards service-type jobs?

Mr. NORCROSS. It seems to be throughout the northeast section of the country. But, everyday when I pick up a paper or watch the news, it is happening all over the country. Maybe it is just being hit a little bit harder in this area.

Chairman PERKINS. Okay. Thank you very much, gentlemen. I appreciate your testimony.

Mr. ANDREWS. Thank you.

Chairman PERKINS. I would like, at this time, to call the next panel, Ella Cintron, Terry Barclay, Shafter Bailey and William Maguire.

Mr. ANDREWS. It sounds like a law firm, doesn't it?

Chairman PERKINS. We are very pleased to have at this time Ella Cintron, Director of the Camden County Job Training Partnership Act office, Camden, New Jersey; Terry Barclay, President, Operation ABLE for the National Council on Aging, from Detroit, Michigan; Shafter Bailey, Executive Director, Kentucky Council on Vocational Education, Frankfort, Kentucky; and William Maguire, Director, Camden County REACH Program, Camden, New Jersey.

Ella Cintron, we would be very pleased to hear your words for us today. Please proceed.

STATEMENT OF ELLA M. CINTRON, DIRECTOR, CAMDEN COUNTY JTPA OFFICE, CAMDEN, NEW JERSEY

Ms. Cintron. Good afternoon, everyone. My name is Ella M. Cintron, Director of the Camden County Employment and Training Center, administrative entity for the Camden County service delivery area, for the use of the Federal Job Partnership funds, as well as a related employment and training programs.

I am testifying on behalf of the administrative entity, and I thank you for the opportunity. There are several areas, which directly affect individuals served by the Job Training Partnership Act, the Economic Dislocation and Workers Adjustment Assistant Act, EDWAA, and the Job Opportunities and Basic Skills training program.

Number one, EDWAA. Camden has submitted several grant applications for Federal Secretary of Labor discretionary grants under Title III for funds to help laid off workers as a result of plant closing, and a reduction in force. The problem has been in the delay of the submission of the grant, and approval at the Federal level. Because of the delay, many of the dislocated workers were not eligible for need based, and the support payment to support themselves, while attending training, due to the Federal requirement that the dislocated worker must be in training, or have an agreement with the school to start within 30 days, or 13 weeks after the plant is closed.

If this could be modified and targeted by the date of submission, by the State, rather than the date of the layoff of the closing of the plant, in this manner, the affected worker would not be penalized for any period of time during which they had no control over their activity. Any alleviation of this matter would be highly helpful.

The problems of delay at this level lead to the lack of credibility on the part of the local agency. Their affected workers become disenchanted with the promises made during the rapid response team's visit to recruit them for services.

Successful operations—we, in Camden County, successfully operated two discretionary grants through the use of dislocated workers' funds. One of the grants was Campbell Soup, Certainteed, and most recently, the General Electric grant. General Electric Aerospace. The dislocated workers centers provide for the focus on transition activity. The affected workers can relate to the employees of the center, as they are operated with companies, and/or union staff, with workers they are familiar with. Such peer counseling eliminates some of the problems and the anger that they are faced with when they are laid off.

In addition, the coordination and cooperation of the company, union and government resources allows for a greater concentration of services to the participants. The use of labor management committees should be an integral part of such programs.

Number two, youth programs. Year round youth programs would recognize the need to continually enforce employment and training issues as a part of life. Camden has a large economically disadvantaged youth population, for whom services provided solely during the summer would not be sufficient to address the multiple needs. But some program does meet the immediate needs of the youth.

One, may be under the age for employment, and would, therefore, be idle during the summer months. Two, may have the opportunity to help their families. Number three, may participate in constructive activity, particularly vocational exploration programs. And maintain their basic skills through participating in a high school proficiency preparation program. Camden County recommends that the summer program employment and training program be maintained as a separate component of JTPA, or at least as a separate activity, with sufficient funds to provide a suitable level of service during the summer months.

Number three, REACH/JOBS. Recipients of Aid to Families of Dependent Children have been challenged to become self-sufficient. The New Jersey REACH Program, as well as the JOBS training program have built the expectations of these individuals, without backing up with the promise of self-sufficiency, with the opportunity through training.

Sufficient funding is not available to move a number of individuals towards self-sufficiency necessary to reduce the welfare case load. It is an expensive proposition, yet one that is necessary to move forward, and to eliminate the roots of public welfare. Additional job funds that are specifically designed for occupational skill training is needed.

Number four, older workers. The proposal to increase the older workers program from 3 percent to 5 percent cannot be supported without reworking the program itself. Currently, insufficient numbers of eligible clients, due to the stringent eligibility criteria, are left out, because they are receiving Social Security or pension, they cannot, they are not eligible for the program. The funding increase must be contingent upon the expansion of the eligibility requirements for this group.

Number five, six percent incentive/technical assistance funds. In the event the 3 percent older worker program is increased, the increase should not be at the expense of the 6 percent incentive/technical assistance fund. Any reduction in these funds would serve as a disincentive to the local service delivery area. In New Jersey, where the State, in cooperation with the local SDA, has together worked long and hard to establish a strong incentive system that serves to enhance the delivery of employment and training programs to the hard-to-serve participant. The development and implementation of the statewide management information system, participant follow up system, and initiative programming would not have been possible without the employment and training technical assistant grant, under 6 percent.

Number six, transportation. Across all of the groups that I mentioned in the above, it is not good to tell someone there is a job in the suburbs, if the individual cannot travel to the job for the second shift or the weekend and holidays. A transportation system designed to shuttle students throughout the county to these facilities is needed. The question here is one of access to all existent resources, including those available through the Department of Education, the Department of Higher Education.

We focus not on the training available through JTPA and those agencies funded by the above agency, but also in the transportation network operated by the local education supported by those departments. The legislative prohibition against such use for JTPA clients should be removed. Any legislation which would move the reluctant client closer toward such collaboration of resources is encouraged.

Number seven, procurement standards. The administration proposed amendment regarding procurement standards would require government to establish minimum procurement system with the Secretary's approval. Due to the confusion of that result in the Camden County SDA, regarding the coordination of the Pell Grants, and JTPA funding for classroom training, obviously, there needs to be some consistency established not only in JTPA's system, but across many of the departments who need to be partners in the delivery of educational training and employment services.

In this process, however, we do believe that flexibility needs to be a major component, so that the local areas can provide a variety of training needs to meet the needs of the increasingly diverse client population.

Number eight, and my final statement, the limitation of the administrative cost pool. It has been a burden on the service delivery area. Camden County supports the increase of the current 15 percent to 20 percent. Lengthy reporting requirements, contractual requirements, follow ups, audit responsibilities, all add to the administrative cost pool. Many of the detailed requirements have been instituted within the past several years, while no appreciable funds have been added to the program.

Again, I want to thank the subcommittee for the opportunity to appear here today, to share our ideas and experiences about employment and training in the past, as well as in the future direction. We feel this kind of exchange of information and ideas will result in an overall strengthening of the employment and training services in New Jersey and across the country. Thank you.

[The prepared statement of Ella M. Cintron follows:]

TESTIMONY BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITY

BELLMAWR, NEW JERSEY
JUNE 17, 1991

Camden County Service Delivery Area
Member of Camden County Jobs New Jersey Area
Ella M. Cintron, ETC Director
Camden County Employment & Training Center
1800 Pavilion West
2101 Ferry Avenue
Camden, New Jersey 08104

GOOD AFTERNOON, EVERYONE.

MY NAME IS ELLA M. CINTRON, DIRECTOR, CAMDEN COUNTY EMPLOYMENT AND TRAINING CENTER, ADMINISTRATIVE ENTITY FOR THE CAMDEN COUNTY SERVICE DELIVERY AREA FOR USE OF FEDERAL JOB TRAINING PARTNERSHIP ACT FUNDS AS WELL AS RELATED EMPLOYMENT AND TRAINING PROGRAMS.

I AM TESTIFYING ON BEHALF OF THE ADMINISTRATIVE ENTITY AND I THANK YOU FOR THE OPPORTUNITY.

THERE ARE SEVERAL AREAS OF CONCERN WHICH DIRECTLY AFFECT THE INDIVIDUALS SERVED BY: **THE JOB TRAINING PARTNERSHIP ACT (JTPA), THE ECONOMIC DISLOCATION AND WORKER ADJUSTMENT ASSISTANCE ACT (EDWAA), AND THE JOB OPPORTUNITIES AND BASIC SKILLS (JOBS) TRAINING PROGRAM.** DISLOCATED WORKERS, YOUTH AGES 14 THROUGH 21 AND AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) RECIPIENTS HAVE ALL BEEN TARGETED FOR THE BEST POSSIBLE SERVICES. HOWEVER, THEY HAVE EACH BEEN CAUGHT IN A WEB OF BUREAUCRATIC/ADMINISTRATIVE DOGMA WHICH HAS PERVADED THE OPERATIONS ASPECT OF JTPA.

DISLOCATED WORKERS - CAMDEN COUNTY HAS SUBMITTED SEVERAL GRANT APPLICATIONS FOR FEDERAL SECRETARY OF LABOR'S DISCRETIONARY TITLE III

GRANTS FOR FUNDS TO HELP WORKERS WHO ARE LAID OFF AS A RESULT OF PLANT CLOSURES OR REDUCTIONS IN FORCE. THESE APPLICATIONS INCLUDE CERTAINTEED, CAMPBELL SOUP COMPANY AND MOST RECENTLY GENERAL ELECTRIC AEROSPACE. THE PROBLEM HAS BEEN A DELAY BETWEEN SUBMISSION AND GRANT APPROVAL AT THE FEDERAL LEVEL. THE CERTAINTEED GRANT WAS SUBMITTED JANUARY 9, 1990 BUT WAS NOT APPROVED UNTIL MID APRIL. BECAUSE OF THE DELAYS, MANY OF THE DISLOCATED WORKERS WERE NOT ELIGIBLE FOR NEEDS BASED PAYMENTS TO SUPPORT THEMSELVES WHILE ATTENDING TRAINING. THIS IS DUE TO THE FEDERAL REQUIREMENTS THAT DISLOCATED WORKERS MUST BEGIN TRAINING OR HAVE AN AGREEMENT WITH A SCHOOL TO START WITHIN 30 DAYS WITHIN 13 WEEKS OF THE DATE OF THE LAYOFF. THIS SECTION OF THE REGULATIONS (PART 631, SUBPART C, 631.20) SHOULD BE MODIFIED TO BE TRIGGERED BY THE DATE OF SUBMISSION OF THE GRANT BY THE STATE RATHER THAN THE DATE OF LAYOFF. IN THIS MANNER, THE AFFECTED WORKERS WOULD NOT BE PENALIZED FOR ANY PERIOD OF TIME DURING WHICH THEY HAD NO CONTROL OVER ENROLLMENT IN AN ACTIVITY. NO EXPENDITURES, AND THUS NO COMMITMENTS TO TRAINING, CAN BE MADE PRIOR TO THE DATE OF APPROVAL.

ANY ALTERNATIVE TO EXPEDITE SERVICES TO THIS VERY VULNERABLE GROUP WOULD BE HELPFUL. THE PROBLEMS OF DELAYS AT ANY LEVEL LEADS TO

A LACK OF CREDIBILITY ON THE PART OF THE LOCAL AGENCIES. THE AFFECTED WORKERS BECOME DISENCHANTED WITH THE PROMISES MADE DURING THE RAPID RESPONSE TEAM VISITS AND FAIL TO RESPOND TO RECRUITMENT EFFORTS ONCE THE FUNDS DO BECOME AVAILABLE. IF THE BOTTOM LINE IS TO PRESERVE THE ORIGINAL INTENT OF RAPID RESPONSE AND SERVICE TO DISLOCATED WORKERS, THEN EXPERIENCE INDICATES THE TIMEFRAMES MUST BE SHORTENED.

CAMDEN COUNTY HAS SUCCESSFULLY OPERATED TWO DISCRETIONARY TITLE III GRANTS THROUGH THE USE OF DISLOCATED WORKER CENTERS. WITH THE CAMPBELL SOUP AND GENERAL ELECTRIC AEROSPACE GRANTS, THE DISLOCATED WORKER CENTERS PROVIDE FOR A FOCUS OF EMPLOYMENT TRANSITION ACTIVITIES. THE AFFECTED WORKERS CAN RELATE TO THE EMPLOYEES OF THE CENTER AS THEY ARE OPERATED WITH COMPANY AND/OR UNION STAFF WITH WHOM THE WORKERS ARE FAMILIAR. SUCH PEER COUNSELING ALLEVIATES SOME OF THE ANIMOSITY AND ANGER WHICH MANY OF THE AFFECTED WORKERS HAVE CONCERNING THE LAYOFFS. IN ADDITION, THE COORDINATION AND COOPERATION OF COMPANY, UNION AND GOVERNMENTAL RESOURCES ALLOWS FOR A GREATER CONCENTRATION OF SERVICES TO THE PARTICIPANTS. THE USE OF LABOR/MANAGEMENT COMMITTEES SHOULD BE AN INTEGRAL PART OF SUCH

PROGRAMS.

YOUTH PROGRAMS - A YEAR ROUND YOUTH PROGRAM WOULD RECOGNIZE THE NEED TO CONTINUALLY REINFORCE EMPLOYMENT AND TRAINING ISSUES AS A PART OF LIFE. CAMDEN COUNTY HAS A LARGE ECONOMICALLY DISADVANTAGED YOUTH POPULATION FOR WHOM SERVICES PROVIDED SOLELY DURING THE SUMMER ARE NOT SUFFICIENT TO ADDRESS THEIR MULTIPLE NEEDS. HOWEVER, THE SUMMER PROGRAM DOES MEET THE IMMEDIATE NEEDS OF YOUTH WHO 1) MAY BE UNDERAGE FOR MOST EMPLOYMENT AND WOULD THEREFORE BE IDLE DURING THE SUMMER MONTHS, 2) MAY HAVE THE OPPORTUNITY TO HELP SUPPORT THEIR FAMILY, 3) MAY PARTICIPATE IN CONSTRUCTIVE ACTIVITY, PARTICULARLY VOCATIONAL EXPLORATION, AND 4) MAINTAIN THEIR BASIC SKILLS THROUGH PARTICIPATION IN HIGH SCHOOL PROFICIENCY TEST PREPARATION PROGRAMS. CAMDEN COUNTY RECOMMENDS THE SUMMER YOUTH EMPLOYMENT AND TRAINING PROGRAM BE MAINTAINED AS A SEPARATE COMPONENT OF JTPA, OR AT LEAST AS A SEPARATE ACTIVITY WITH SUFFICIENT FUNDS, TO PROVIDE A SUITABLE LEVEL OF SERVICE DURING THE SUMMER.

REACH/JOBS - RECIPIENTS OF AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) HAVE BEEN CHALLENGED TO BECOME SELF-SUFFICIENT. THE

NEW JERSEY REACH PROGRAM AS WELL AS THE JOB OPPORTUNITIES AND BASIC SKILLS (JOBS) TRAINING PROGRAMS HAVE BUILT THE EXPECTATIONS OF THESE INDIVIDUALS WITHOUT BACKING UP THE PROMISES OF SELF-SUFFICIENCY WITH THE OPPORTUNITY TO ACHIEVE IT THROUGH TRAINING. SUFFICIENT FUNDING IS NOT AVAILABLE TO MOVE THE NUMBER OF INDIVIDUALS TOWARDS SELF-SUFFICIENCY NECESSARY TO REDUCE THE WELFARE CASELOAD. IT IS AN EXPENSIVE PROPOSITION, YET ONE THAT IS NECESSARY IF WE ARE TO MOVE FORWARD AND ELIMINATE THE ROOT CAUSE OF PUBLIC WELFARE - LACK OF ADEQUATE OCCUPATIONAL AND BASIC SKILLS. IT IS LESS EXPENSIVE IN THE LONG RUN, THAN THE ALTERNATIVE (YEARS OF CONTINUED RELIANCE ON PUBLIC WELFARE). ADDITIONAL JOBS FUNDS SPECIFICALLY DESIGNATED FOR OCCUPATIONAL SKILLS TRAINING IS NEEDED.

OLDER WORKERS - THE PROPOSAL TO INCREASE OLDER WORKER PROGRAM FROM 3% TO 5% CANNOT BE SUPPORTED WITHOUT REWORKING THE PROGRAM ITSELF. CURRENTLY THERE IS AN INSUFFICIENT NUMBER OF ELIGIBLE CLIENTS DUE TO THE STRINGENT ELIGIBILITY CRITERIA. THE FUNDING INCREASE MUST BE CONTINGENT UPON AN EXPANSION OF THE ELIGIBILITY REQUIREMENTS FOR THIS GROUP.

6% INCENTIVE/TECHNICAL ASSISTANCE FUNDS - IN THE EVENT THE 3%

OLDER WORKER PROGRAM IS INCREASED, THE INCREASE SHOULD NOT COME AT THE EXPENSE OF THE 6% INCENTIVE/TECHNICAL ASSISTANCE FUNDS. ANY REDUCTION IN THESE FUNDS WOULD SERVE AS A DISINCENTIVE TO THE LOCAL SERVICE DELIVERY AREA (SDA). THIS IS ESPECIALLY TRUE IN NEW JERSEY WHERE THE STATE IN COOPERATION WITH LOCAL SDA'S HAVE TOGETHER WORKED LONG AND HARD TO ESTABLISH A STRONG INCENTIVE SYSTEM THAT SERVES TO ENHANCE THE DELIVERY OF EMPLOYMENT AND TRAINING PROGRAMS FOR HARD TO SERVE PARTICIPANTS. THE DEVELOPMENT ANDIMPLEMENTATION OF THE STATEWIDE MANAGEMENT INFORMATION SYSTEM, PARTICIPANT FOLLOW-UP SYSTEM, AND INNOVATIVE PROGRAMMING WOULD NOT HAVE BEEN POSSIBLE WITHOUT STATE EMPLOYMENT AND TRAINING TECHNICAL ASSISTANCE.

TRANSPORTATION - ACROSS ALL THESE GROUPS IS THE ISSUE OF TRANSPORTATION. PEOPLE MUST BE ABLE TO ACCESS THE JOBS THROUGHOUT THE REGION. IT IS NO GOOD TO TELL SOMEONE THERE IS A JOB IN THE SUBURBS, IF THE INDIVIDUAL CANNOT TRAVEL TO THE JOB FOR THE SECOND SHIFT OR ON WEEKENDS OR HOLIDAYS. IN ADDITION, VOCATIONAL EDUCATION OPPORTUNITIES ARE AVAILABLE TO COUNTY RESIDENTS AT LITTLE COST THROUGH THE COUNTY VOCATIONAL TECHNICAL SCHOOLS AND COMMUNITY COLLEGES. A TRANSPORTATION

SYSTEM DESIGNED TO SHUTTLE STUDENTS THROUGHOUT THE COUNTY TO THESE FACILITIES IS NEEDED.

THE QUESTION HERE IS ONE OF ACCESS TO ALL EXISTING RESOURCES, INCLUDING THOSE AVAILABLE THROUGH THE DEPARTMENT OF EDUCATION AND THE DEPARTMENT OF HIGHER EDUCATION. WE FOCUS NOT ONLY ON THE TRAINING AVAILABLE THROUGH JTPA AND THOSE AGENCIES FUNDED BY THE ABOVE DEPARTMENTS, BUT ALSO ON THE TRANSPORTATION NETWORKS OPERATED BY THE LOCAL EDUCATION AGENCIES SUPPORTED BY THOSE DEPARTMENTS. ANY LEGISLATIVE PROHIBITIONS AGAINST SUCH USE FOR JTPA CLIENTS SHOULD BE REMOVED. ANY LEGISLATION WHICH WOULD MOVE THE RELEVANT PARTIES CLOSER TOWARDS SUCH COLLABORATION OF RESOURCES IS ENCOURAGED.

THE LIMITATION ON ADMINISTRATIVE COSTS - HAS BEEN A BURDEN ON SERVICE DELIVERY AREAS. CAMDEN COUNTY SUPPORTS THE INCREASE OF THE CURRENT 15% TO 20%. LENGTHY REPORTING REQUIREMENTS, CONTRACTUAL REQUIREMENTS, FOLLOW-UP AND AUDIT RESPONSIBILITIES ALL ADD TO THE ADMINISTRATIVE COSTS. MANY OF THE DETAILED REQUIREMENTS HAVE BEEN INSTITUTED WITHIN THE PAST SEVERAL YEARS. WHILE NO APPRECIABLE FUNDS HAVE BEEN ADDED TO THE PROGRAMS, THE COST OF DOING BUSINESS HAS INCREASED. THEREFORE, THE LIMIT OF COSTS ATTRIBUTABLE TO

ADMINISTRATION MUST BE RAISED.

AGAIN, I WANT TO THANK THE SUBCOMMITTEE FOR THE OPPORTUNITY TO APPEAR HERE TODAY TO SHARE OUR IDEAS AND EXPERIENCES ABOUT EMPLOYMENT AND TRAINING IN THE PAST AS WELL AS FUTURE DIRECTIONS. WE FEEL THIS KIND OF EXCHANGE OF INFORMATION AND IDEAS WILL RESULT IN THE OVERALL STRENGTHENING OF EMPLOYMENT AND TRAINING SERVICES IN NEW JERSEY.

Chairman **Perkins**. Thank you very much, Ms. Cintron.

You know, I have noticed that in hearings we have around the country, there is one thing that seems to be very prevalent. The chairman of the full Committee on Education and Labor is a man by the name of Bill Ford. He is from Michigan. I have noticed that at hearings that I have—it does not matter where we are, we have a witness from Michigan, and one from Kentucky. Of the next three witnesses one is from Michigan and one from Kentucky. I'd like to first introduce Terry Barclay, president of the Operation ABLE for the National Council on Aging, Detroit, Michigan. Ms. Barclay, please proceed.

STATEMENT OF TERRY BARCLAY, CHAIR-ELECT, NATIONAL ASSOCIATION OF OLDER WORKER EMPLOYMENT SERVICES, [NAOWES], AND PRESIDENT, OPERATION ABLE, DETROIT, MICHIGAN, FOR THE NATIONAL COUNCIL ON AGING

Ms. **Barclay**. Thank you, Mr. Chairman and Congressman Andrews. We very much appreciate having the opportunity to be here today.

Chairman **Perkins**. We very much appreciate having you.

Mr. **Andrews**. How could you not appreciate being in Bellmawr, New Jersey?

[Laughter.]

Ms. **Barclay**. From what I am hearing, we have many of the same problems in Detroit. I felt very much at home. I am Terry Barclay, chair elect of the National Association of Older Worker Employment Services, or NAOWES, as it is commonly called, an affiliate unit of the National Council on Aging.

I am also president of Operation ABLE of Michigan, which is in Motown.

NAOWES is the largest membership organization in the United States serving older worker employment and training service providers. Our members represent a diversity of older workers programs funded by diverse resources: JTPA, Title V of the Older Americans Act, United Way, the private sector, local governments. All are united in their concern regarding the integrity of JTPA and the outlook for older worker programs.

Mr. Chairman and Congressman Andrews, I am pleased to submit the following suggested amendments to JTPA. After over 2 years of often intense discussion and deliberations within the older workers services network, this proposal was adopted by NAOWES, at the NCOA annual conference last month. This is our first opportunity to present to Congress and the public NAOWES' vision of what issues are critical to include in any amendments.

We feel that we must recognize that we are at a turning point. We have only a few program years to prepare for a demographic shift that will turn this country upside down. The median age of the labor pool is rapidly reaching 40 years of age. People continue to live longer and healthier lives, with retirement potentially lasting for an additional ten to 20 years. Fewer younger workers are entering the work force, or contributing to our tax base or Social Security.

This means that the older adult special population, or target group, as it has been called in the past, will very shortly become the majority, the mainstream. Experience has shown us that the services that are needed to make this group successful are different than those that are needed by younger adults. To address these differences, mature workers need more than a set aside. They need a separate section of an adult title of JTPA.

We advocate the creation of separate titles for youth and adults. The adult title would apply to those age 22 and above, with a Part A section devoted to the employment and training needs of young adult workers, ages 22 to 39, and a Part B section for mature workers, age 40 and above.

This mature worker section would, one, revise the JTPA eligibility criteria for mature adults; two, establish presumptive contractor status to protect the years of experience and investment on institutional knowledge accumulated by top performing 3 percent providers; three, require mature worker representation on the State job training coordinating councils and private industry councils; four, stress the need for flexible mature worker training, and supportive services. Mature workers need more than a cookie cutter approach to training.

Five, provide for flexibility for States in local areas in administering JTPA-funded older worker programs, particularly those that serve labor markets that cross SDA boundaries. Six, create procedures to recapture funds and allocate funds within titles as needed, based on labor market conditions. Repeatedly, we hear dire warnings that the United States needs to improve the quality and skills of our work force to regain our competitive edge in the world economic forum. In order for JTPA to continue to be a public-private partnership, the fastest growing segment of the labor force—mature workers—must be considered.

Last month, the New York-based Commonwealth Fund released major new research information that destroys stereotypes about older workers. The findings provide the first evidence to refute three common myths about older employees, that older people cannot be trained in new technologies, that older people cost more to employ and cannot work as efficiently as younger workers, and finally, that older workers are inflexible about the terms of their employment. The Fund research study found otherwise.

It is important that we encourage people to remain economically independent as they age. If we do not, the country may not be able to afford to take care of its burgeoning aging population. Earlier Commonwealth Fund research indicates that older adults who work lead healthier, happier lives than those who do not.

More importantly, the study found that a minimum of 2 million mature Americans over the age of 50 are ready and able to go back to work, a figure almost three times as large as the official government estimate of 630,000.

In closing, I would like to share with you that last fall, I was visited by a Japanese trade delegation, interested in what our country was doing to insure the continued productivity of mature workers. The Japanese are looking for new ways to retrain and reemploy their aging population. The recommendations for JTPA offered by NAOWES are our best thinking about how our country can meet this competitive challenge, about legislation that will address the needs of our multi-aged work force, and about ways to offer the companies that we rely on for growth and productivity a highly skilled and productive labor pool.

Thank you very much, Mr. Chairman, for this opportunity to share our ideas. And I would be happy to answer any questions at the end.

[The prepared statement of Terry Barclay follows:]

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The Job Training Partnership Act Amendments

Testimony of

Terry Barclay

for

The National Council on the Aging, Inc.

before

The Subcommittee on Employment Opportunities

of the

House Committee on Education and Labor

June 17, 1991
Bellmawr, New Jersey

A nonprofit agency working since 1950 to improve the lives of older Americans

THE JOB TRAINING PARTNERSHIP ACT AMENDMENTS

Testimony by

Terry Barclay, Chair-Elect

National Association of Older Worker Employment Services

of the

National Council on the Aging

INTRODUCTION

Mr. Chairman, thank you for the opportunity to testify today on amendments to the Job Training Partnership Act.

I am Terry Barclay, chair-elect of the National Association of Older Worker Employment Services (NAOWES), an affiliate unit of the National Council on the Aging (NCOA). I am also president of Operation ABLE of Michigan.

NAOWES is the only membership organization in the United States serving older worker employment and training services providers. Our members represent a diversity of older worker programs. Some are JTPA service providers, some are Senior Community Service Employment Program directors, others have programs funded by the United Way, the private sector, city and/or county funding or a blend of funding from some or all the aforementioned sources. All are united in their concerns regarding the integrity of JTPA and the outlook for older worker programs.

The National Council on the Aging has been engaged in expanding employment and training opportunities for older Americans for over 40 years. We have pioneered training for older workers since 1950 and have been involved in every major Federal employment program including the Manpower Development and Training Act (MDTA), the Concentrated Employment Program, Comprehensive Employment and Training Act (CETA), the Economic Development Act, and the JTPA program. For twenty-three years, NCOA has been a national sponsor of the Senior Community Service Employment Program (SCSEP) under Title V of the Older Americans Act (OAA). NCOA's SCSEP program currently provides training and work opportunities for more than 10,000 older Americans annually in 63 projects in 21 states.

NCOA also conducted a three year research project for the Department of Labor

(DoL) examining linkages between Title V and the JTPA 3% set-aside program, and the impact of the dislocated workers program (Economic Dislocation and Worker Adjustment Assistance or EDWAA) on older workers.

NEED FOR EXPANDED OLDER WORKER PROGRAMS

Mr. Chairman, the time has come to look at employment and training through the eyes of an aging population and, I might add, the business community.

Department of Labor statistics point out that there is a direct correlation between age and unemployment--the older one is at the time of layoff, the longer one will be unemployed, and the lower the rate of pay at which one is re-employed.

The Census Bureau estimates there are about 6 million older workers in the country who no longer seek work because they are "discouraged" by the system. Yet a 1993 study by the Commonwealth Fund estimates that nearly 2 million older workers (age 50-64) would go to work immediately if work could be found. This figure is almost three times as large as the official government estimate of 630,000.

We in the older worker network see these people every day, both in the 3% and Title V programs. Some are the traditional poor, with low or no income, marginal workforce participation rates, low educational attainment, or are persons entering the labor market for the first time.

Increasingly, we are seeing the white collar worker who was "downsized" after 20 or 25 years with one employer, and now finds, as savings run out, that he or she has obsolete or surplus skills--a mismatch with the local labor market. These persons can't relocate; they need large amounts of support and retraining to again become viable, competitive employees.

Finally, we are seeing the "new poor", those with cash incomes that put them just above a poverty line that hasn't changed in years, but below the cost of rising local taxes that threatens to drive them from their homes. If they find work, they are in marginal or part-time jobs that do not provide health care coverage.

Yet older workers are valuable assets for virtually every employer. Recent case studies at two major American corporations and one British firm conducted by the Commonwealth Fund refute common corporate myths about older employees regarding their trainability and flexibility. The studies provide the first detailed economic evidence that older workers can be trained in new technologies, are flexible about work assignments and schedules, have lower turnover and absenteeism than their younger colleagues, and are often better sales people. It was also found that older workers save the companies money.

It is against this backdrop, Mr. Chairman, that we call for a shift in resources and a revision of Title II to focus on the demographics of the nineties.

RECOMMENDATIONS FOR JTPA

Mr. Chairman, I am pleased to submit the following as suggested amendments to JTPA. This proposal is the result of more than two years of often intense discussions and deliberations within the older worker services network on where we thought the JTPA should move to adequately address the needs of America's older workers. The proposal was adopted by NAOWES at the NCOA annual conference last month and this is our first opportunity to present it to Congress and the public. We believe that if these changes are incorporated into the JTPA legislation, they will significantly improve the delivery of employment and training services to older adults.

Youth and Adult Titles

We advocate the creation of separate titles for youth and adults. The Youth Title would apply to those age 16-21, the Adult Title to those age 22 and above with a Part A section devoted to the job and training needs of younger workers and newer job entrants (age 22-39), and a Part B section for mature or older workers, age 40 and above.

Eligibility for JTPA Adult Title services should be based on one of the following criteria:

- o Income within 100 percent of poverty, or;
- o Eligible for food stamps or federally assisted housing, or;
- o Persons age 40 or above with two or more barriers to employment, including:
    - Unemployed 15 of past 26 weeks
    - Unemployed 30 of past 52 weeks
    - Working 20 or fewer hours
    - Is a displaced homemaker
    - Is homeless
    - Finished less than 10 years of school
    - Is deficient in basic skills
    - Has been notified that job will be terminated within the next 60 days,

or

Is income eligible, but is a member of a household whose income does not meet such requirements,

or

Is eligibile for services under Title V of the Older Americans Act.

We also would like to see under the Part B section of the Adult Title a mandated preference and presumtive contractor status for agencies and organizations, including service delivery areas (SDAs), with demonstrated competence in conducting older and mature worker programs. This would prevent loss of institutional knowledge and expertise acquired under JTPA and also facilitate the selection of qualified contractors by state or local agencies administering the Adult Title.

State Job Training Coordinating Councils (SJTCCs) and private industry councils (PICs) should be required to include within their membership one or more representatives from agencies and other groups whose organizational mission is representing the interests of mature and older workers. Such organizations will have much to offer in terms of technical information, local contacts, and coordination with Title V.

In addition, the amendments should provide for biannual state plans for mature and older worker employment needs and mandate public hearings on such plans as well as the participation of agencies responsible for the OAA Title V program, JTPA, EDWAA, the adult and vocational education program, trade adjustment assistance, literacy training, age discrimination in employment protection, and vocational rehabilitation programs.

We further suggest a provision requiring the annual publication of overall national and state JTPA and EDWAAA reporting data disclosing information on participants age 22-39, 40-54, 55-61, 62-64, 65-69, and 70 and above. Currently data is collected and published only in longer age ranges which makes it difficult to examine true patterns of service use and differentials based on age. This data does not lend itself readily to monitoring and planning purposes. It is essential that JTPA program data generate information to allow evaluations of program effectiveness for all age as well as sex, ethnic, and racial groups.

Training and Support Services

Mr. Chairman, those of us who work in the arena of training and placing younger as well as older workers know that training requires flexibility and takes many forms. It often cannot be completed quickly, nor accomplished effectively through one or two techniques. Training involves a variety of approaches and services to reach our program participants.

We also are well aware of the importance of support services. These are the services that raise the confidence and self-esteem of individuals or assist them to continue in the program.

Therefore, we recommend that comprehensive training and support services include one or more of the following:

o outreach and recruitment
o intake and assessment
o vocational assessment and counseling
o job search assistance
o classroom and occupational skill training
o on-the-job training

o work experience
o basic and remedial education and literacy training
o supplemental services, including day care for dependent children and adults
o occupational placement assistance

State Mandates

We believe that Part B of the Adult Title we are advocating will be effective if not less than 15 percent and not more than 30 percent of the total Part B State allocation be utilized by the State government for research, data collection, advocacy, technical assistance, and support of programs for at-risk and inexperienced older workers.

Mr. Chairman, we need demonstration and other regional or statewide research activities in the areas of recruitment, counseling, assessment, training, job development and placement assistance for mature and older workers.

I would add that regional and statewide programs have already been very successful in training as they have the flexibility to traverse two or more SDA geographical areas and hence reach more individuals through coordinated programs.

Governors can also assure linkages and coordination of JTPA with the Title V program and provide technical assistance to SDAs, PICs, local training providers and others to meet the vocational needs of older workers.

The State allocation could be used to develop State and local informational and advocacy programs regarding age discrimination in employment and support on-the-job training and related services directed to the at-risk mature and older workers who face termination or dislocation due to changes in skill demands, market conditions, technological change, or other factors.

The State government is in the best position to develop programs directed to the job needs of displaced homemakers age 40 and above who have little or no recent expereience in the labor market.

It is also on the State level that data collection and analysis on employment trends affecting older workers can best be accomplished.

Authorizations

NAOWES and NCOA recommend that 60 percent of the Adult Title authorizations go to Part A and 40 percent to Part B activities. SDAs should be allowed to transfer up to 30 percent of Adult Title allocations between Parts A and B based on workplace demographics and related factors after public hearings and with the approval of the SJTCC.

We urge adoption of the EDWAAA unspent funds recapture provisions for the JTPA program. This would assure continued pressure on states and SDAs to utilize all categories of JTPA funds while not threatening to remove such funds from the state except under extraordinary circumstances.

CONCLUSION

Mr. Chairman, the 3% set-aside for older workers has been the vehicle under JTPA for addressing needs of older workers and has met with a considerable measure of success--the set-aside program currently spends at an estimated annual rate of 134%. Yet there are many, many more we have yet to reach. This year Congress is in the position to move forward and expand JTPA in order to assist hundreds of thousands of older adults lead productive, satisfying lives, and offer companies a highly skilled and productive labor pool. NAOWES and NCOA believe that amending JTPA to provide a separate Title and section for older adults is an important first step in that forward direction.

Chairman **Perkins**. Thank you, Ms. Barclay. Now we turn to the gentleman who sat on the plane, two planes, with me this morning, Mr. Shafter Bailey, who is the Executive Director, Kentucky Council on Vocational Education, Frankfort, Kentucky. Shafter, please proceed.

STATEMENT OF SHAFTER BAILEY, EXECUTIVE DIRECTOR, KENTUCKY COUNCIL ON VOCATIONAL EDUCATION, FRANKFORT, KENTUCKY

Mr. **Bailey**. Thank you, Mr. Chairman. I want to say, too, after hearing Mr. Andrews' remark, that I am another one of these funny talking people, and I hope everybody can understand what I am going to attempt to say here.

[Laughter.]

Mr. **Andrews**. You should be glad we are not in Northern New Jersey.

[Laughter.]

Mr. **Bailey**. I appreciate the opportunity to present some information to the Subcommittee on Employment Opportunities. And I would like to acknowledge right up front here, that, among others, I represent the National Association of State Councils on Vocational Education. And I primarily will be addressing the Human Resource Investment Council situation, that part of the JTPA amendments.

And because I do represent that group, I must say and be very honest about it, that my appearance here this afternoon is, to some extent, self-serving, since I am the Executive Director of that group. But, I would like to think that I am speaking on behalf of the individuals that are targeted by the Carl D. Perkins Vocational Education Act and the Job Training Partnership Act, the JTPA.

First of all, I generally agree with the concept of the Human Resource Investment Council. And I feel it has a lot of merit, and will resolve some of the continuing problems that we have with coordination and communication between the two delivery systems. Section 201, subsection (b)(3) of the JTPA amendment states that 20 percent of the Human Resource Investment Council will consist of the chief administrative officers from each of the State agencies primarily responsible for the administration of an applicable program.

And in subsection (f) it identifies those programs, so I will not go into it. Now, if I understand this subsection correctly, this means that the chief administrative officers of the agencies will sit down at the same table on a regular basis, and discuss coordination, common goals, and other mutually pertinent issues. To illustrate the merit of subsection (b)(3), I want to paraphrase a passage from the biennial report of the Kentucky Governor's Council on Vocational Education, that is being printed as we speak. I believe the information I am about to share will justify my belief that the Human Resource Investment Council has merit, particularly with respect to subsection (b)(3).

In the biennial report, the council is concerned about the lack of coordination between the vocational education and the job training systems in Kentucky. It is cognizant of the fact that only one-third of the principal players within those systems participate, or consistently participate, in the six most important activities that are known to support and promote effective coordination. That's the major concern of the council.

Now what the council is suggesting here in the report is to offer to sponsor a conference bringing together the key administrators or the chief administrative officers of the various programs, both systems, the Vocational Educational Regional Executive Directors, the service delivery area administrators, chairpersons, and other persons from related agencies who would have a viable interest in the outcome of such a conference.

The Council is offering to sponsor a conference, pay for it, if we can just get these people to the table to talk about some of the common problems they are having. Section (b)(3) in the Human Resources Investment Council is suggesting that it would do that on a regular basis. So I see that as being very beneficial.

I would like to say, before I leave that point, that it would be unfair to say that the coordination among the various agencies in Kentucky is all bad. That is not the case. Coordination ranges from below average all the way to excellent. You know, the Eastern Kentucky Concentrated Employment Program, itself, is a very good example of an excellent program in the State of Kentucky. And according to the 1990 study that was done by the National Center for Research and Vocational Education entitled "Order Amidst Complexity," this is the case. Kentucky is not unlike other States with respect to the communication and coordination problems that they have. I do not want to make Kentucky, necessarily, the bad guy here.

Another benefitI can see very quickly of the Human Resource Investment Council would help to solve a problem right now in the State of Kentucky. On the one hand, we have the vocational education system that says, any person, that is, any adult, that would like to enroll into the vocational program, must have a high school diploma or an equivalency certificate. On the other hand, you have the SDA administrators, who must deal with a high percentage of their students being high school dropouts. For example, 48 percent of the people served at the Cumberland SDA must be high school dropouts. So you have a built in conflict where the two systems are not working together. I see this as another advantage of the proposed Council, that the chief administrative officers of both systems would be there to resolve in a professional way this kind of built-in conflict.

But there are some aspects of the Human Resource Council that I would like for you to consider before you make a final decision on this organization or configuration. And I would like for you to think about how this Council is likely to work in practice. In Kentucky, the chief administrative officers of the applicable programs are government employees, and therefore, would be subjects of the Governor and Chairman, who will have the potential to exert influence, which, among other things, could discourage the candid atmosphere at Council meetings. And of course, these same individuals of the various agencies will have an intricate knowledge of their acts, and are likely to intimidate the 30 percent of the Council appointed from business and industry.

This, in effect, could minimize the private sector's vital input to the mandated advice that the Council is supposed to generate for the government. And the most important aspect, I believe, is the fact that these chief administrative officers will not give themselves an F on their report cards at evaluation time, if their performance should warrant such a grade. In other words, in Section 201 the JTPA amendment should provide for an independent group to exercise oversight. I believe that is very, very important.

I could quote another concern here out of the biennial report. You know, in the last 2 years, the vocational education system in Kentucky lost 5,526 students. And it lost these students at a time when the SDA administrators were deobligating literally millions of dollars, because the vocational education system could not provide the services and educational training that the SDA administrators needed. This is another situation that probably could be resolved if you get the right people at the table.

I want to say that I believe the original reason that gave birth to the State Councils on Vocational Education is as valid today as it was back in 1968. Maybe even more so, if the Human Resource Investment Council is adopted, as it is described in the amendments.

Another point of consideration I want to share with you is that during this two-year period in Kentucky, the job training system had $112 million available for job training. At the same time, there was $114 million available for vocational education. And in the case of Kentucky, only about 16 percent of the total funding for vocational education comes from Federal dollars. Yet schools that accept Federal monies must also accept Federal regulations, governing the use of these funds, in all their programs, including those financed exclusively with State funds.

The massive size of the vocational education delivery system, the enormous amount of funding it receives, and the wide variety of its programs require a focused group, such as the State Council on Vocational Education, for oversight. If the Human Resource Investment Council is adopted as described, I believe it is reasonable to doubt that appropriate and effective oversight of the vocational education delivery system will be forthcoming, because it will be only one of seven applicant programs, and therefore, disproportionately represented. Not to mention the problem of undue influence that I pointed out earlier.

The point is that some provision for independent oversight should be provided in the amendments, regardless of what name it discharges its responsibilities under, although it seems reasonable to suggest that the State Councils on Vocational Education are the logical choice, since they are already established. To dismantle them at this point in time would seem to offend reason, since the Human Resource Investment Council will likely need some fine-tuning at some point in the future.

The point I am suggesting is it might be advisable to retain the State Councils until the waters you are embarking into have been thoroughly charted.

I have only one more observation to make concerning the independent oversight group. It has been suggested that such a group be left up to the discretion of the Governors. I believe that would be a mistake, because it would promote inconsistency throughout the States. For example, in one State, there would be an independent group, while in another, there may not be, depending on the pleasure of the Governor. A new Governor might abolish an independent group that was put in place, because a former Governor favored such a group, and so forth. Among other things, this would most assuredly hamper any effort to produce uniform, objective reporting to the U.S. Departments of Labor and Education.

As a former vocational educational student, teacher, State school principal, State department of education program supervisor, and now, the executive director of the Governor's Council, I will close by saying that, with the exception of the independent oversight group, I sincerely believe the JTPA amendments are well intended, particularly with respect to the Human Resource Investment Council. I am certain that the services and training programs made possible by the proposed amendments will help the disadvantaged and others across America raise their standard of living.

Again, Mr. Chairman, I thank you for the opportunity.

[The prepared statement of Shaftner Bailey follows:]

WRITTEN TESTIMONY
FOR THE AMENDMENTS TO THE
JOB TRAINING PARTNERSHIP ACT

presented to the

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES
CARL C. PERKINS, CHAIRMAN

on behalf of

THE NATIONAL ASSOCIATION OF STATE COUNCILS ON
VOCATIONAL EDUCATION, THE KENTUCKY GOVERNOR'S COUNCIL ON
VOCATIONAL EDUCATION, AND THE
CITIZENS OF THE COMMONWEALTH OF KENTUCKY

by

SHAFTER BAILEY, EXECUTIVE DIRECTOR
KENTUCKY GOVERNOR'S COUNCIL ON VOCATIONAL EDUCATION

Bellmawr, New Jersey
June 17, 1991

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I appreciate the opportunity to present the following information to the Subcommittee on Employment Opportunities, and I compliment the Committee for its attempt to hear every point of view concerning the issues and questions raised by the pending amendments to the Job Training Partnership Act.

I would like to acknowledge the fact that, among others, I represent the National Association of State Councils on Vocational Education. Therefore, my appearance here this afternoon is to some extent self-serving. But, I believe the path that brought me here runs far beyond the mandated boundaries of the State Councils. I would like to believe that I speak on behalf of dislocated and older workers, high school dropouts, the disadvantaged and handicapped, high school graduates who do not choose to continue their education, college dropouts, and others who make up the targeted populations of the Job Training Partnership and Carl D. Perkins Vocational Education Acts. These people seldom, if ever, get the opportunity to speak for themselves.

First of all, I generally agree with the concept of the Human Resource Investment Council. I feel it has a lot of merit and will surely resolve some of the continuing communicative and coordinative problems that currently limit the efficiency and effectiveness of the job training and vocational education delivery systems. For example, Section 201 Subsection (b) (3) of the JTPA amendments states that twenty (20) percent of the Human Resource Investment Council will consist of (A) the chief administrative officer from each of the State agencies primarily responsible for the administration of an applicable program.

In subsection (f) of Section 201, the applicable programs are identified as the Adult Education Act, the Carl D. Perkins Vocational and Applied Technology Education Act, the Job Training Partnership Act, the Rehabilitation Act of 1973, the Wagner-Peyser Act, Part F of Title IV of the Social Security Act (JOBS), and Section 6 (d) (4) of the Food Stamp Act of 1977.

If I understand subsection (f) correctly, this means that the chief administrative officers of these agencies will sit down at the same table on a regular basis and discuss coordination, common goals, and other mutually pertinent issues. To illustrate the merit of subsection (b) (3), I will read a passage verbatim from the Biennial Report of the Kentucky Governor's Council on Vocational Education. But before I do, I will give you a brief explanation of that report.

The Carl D. Perkins Vocational Education Act (Public Law 98-524) requires the Kentucky Governor's Council on Vocational Education to evaluate at least every two years:

1. The vocational education program delivery systems assisted by the Carl D. Perkins Vocational Education Act and the Job Training Partnership Act, in terms of their adequacy and effectiveness in achieving the purpose of their Acts and

2. Make recommendations to the Kentucky Board for Adult and Technical Education on the adequacy and effectiveness of the coordination that takes place between vocational education and the Job Training Partnership Act and

3. Advise the Governor, the Kentucky Board for Adult and Technical Education, the Kentucky Job Training Coordinating Council, the Secretary of Education, and the Secretary of Labor of these findings and recommendations.

Now, I will read three short paragraphs from the executive summary of that report. I believe they will justify my belief that the Human Resource Investment Council has merit, particularly with respect to Subsection (b) (3).

The following excerpt is from the biennial report of the Kentucky Governor's Council on Vocational Education that is being printed even as we speak.

> The Council is concerned about the lack of coordination between the vocational education and job training systems. It is cognizant of the fact that only one-third of the respondents consistently participate in the six (6) most important activities that are known to support and promote effective coordination. Further, it feels that current reliance on personal relationships of key administrators for effective coordination is largely responsible for the absence of consistent coordination between the two systems. Its major concern about personal relationships springs from the breakdown of coordination and the adverse consequences to participants that take place when a personal relationship is disabled by retirement, transfer, promotion, or when principal personalities find themselves in opposing corners for whatever reason. Therefore, it recommends that the vocational education and job training delivery systems adopt clearly defined policies that ensure consistent and timely participation in the coordinative activities enumerated in the last paragraph of page 121 of this report.
>
> The Council realizes in order to initiate the action that could culminate in the policies suggested in the recommendation above that someone has to fire the first volley. Therefore, it proposes to sponsor a conference that would include no less than key state administrators of the vocational education and job training delivery systems, the vocational education regional executive directors, the service delivery area administrators, PIC chairpersons, and personages from related agencies who would have a viable interest in the outcome of such a conference.
>
> The Council envisions the conference would include a speaker of national caliber, who would have intimate knowledge of the Carl D. Perkins Vocational Education and Job Training Partnership Acts, and he or she would have expertise in coordination between these two systems derived from practical experience. It would

encompass at least two full days of keenly focused activities facilitated and monitored by members of the Governor's Council on Vocational Education and Kentucky Job Training Coordinating Council.

As you can see, the Council is attempting to promote what Subsection (b) (3) will provide on a regular basis. Clearly, that is a much needed provision in terms of achieving effective and consistent communication and coordination between the various agencies.

Before I leave this point, it would be remiss, maybe even unfair, if I left you with the impression that the coordination among the various agencies in Kentucky is all bad. That is not the case. For the most part, vocational education regions and service delivery areas enjoy adequate coordination, and coordination is excellent between some of them. According to the 1990 study that was done by the National Center for Research in Vocational Education entitled Order Amidst Complexity, this is the case in the other states as well.

Moreover, Subsection (b) (3) will enable its members to expeditiously address solutions to such problems as the one currently existing in Kentucky. To wit: vocational education admission policy pertaining to long-term adult students states that a high school diploma or the equivalent is required for all programs. However, students may be enrolled who do not possess a diploma or the equivalent with special status in certain programs provided it has been reasonably determined that the student can succeed. But, special status students must agree to pursue the high school equivalency certificate. I think you can readily see the conflict this creates for administrators in both the service delivery areas and vocational education regions, but particularly in the service delivery areas because a high percentage of the individuals they work with must be, by mandate, high school dropouts. I cite this problem to illustrate a typical example of why I believe the Human Resource Investment Council has merit and will improve administrative quality and enhance efficiency related to the delivery of educational services and training.

But, there are some aspects of the Human Resource Investment Council that I would like for you to consider before you make your final decision.

First, let's look at the way Subsection (b) (3) will likely work in practice. In Kentucky, the chief administrative officers of the applicable programs are non-merit employees and therefore will be subjects of the governor and chairman who will have the potential to exert influence which, among other things, could discourage a candid atmosphere at Council meetings. These same individuals, whose intimate knowledge of their applicable programs, will likely intimidate that thirty (30) percent of the Council appointed from business and industry. This, in effect, could minimize the private sector's vital input to the mandated advice that the Council is supposed to generate for the Governor. Perhaps the most important aspect is the fact that the chief administrative officers of the applicable programs will not give themselves an "F" on their report cards at evaluation time if their performance should warrant such a grade. In other words, a critical aspect missing in Section 201 of the JTPA amendments is the absence of a provision for an independent group to exercise oversight of the mandated activities of the Human Resource Investment Council.

For example, in the biennial report of the Kentucky Governor's Council on Vocational Education that I mentioned earlier, the following excerpt describes in candid detail a pressing concern of the Council:

> The biennium ended with both secondary and postsecondary vocational education enrollments down from the previous year. Secondary regular population decreased by 10,256 students, but an increase of 5,050 disadvantaged and 2,810 Consumer and Homemaker students compensated for a substantial part of the decrease in its regular population. Secondary closed out the biennium with an overall decrease in its enrollment of 2,416 students.
>
> Postsecondary/adult enrollment was unable to make up the 4,343 student decrease in its regular population through increases in other populations, which also ended the biennium with decreases or insignificant increases. Overall, postsecondary/adult enrollment decreased by 5,526 students.
>
> The Council is concerned about the large decrease in postsecondary/adult enrollment and will take a look at the possible causes in the coming months and include its findings in the next biennial report. Toward this end, it intends to look at the admission requirements, the Postsecondary Model Phase II (collegiate-style scheduling of vocational course offerings on a quarterly basis), and recent tuition increases.
>
> Moreover, the Council is aware that the decrease of 5,526 vocational education postsecondary/adult students occurred during a time when service delivery area (SDA) administrators were deobligating substantial amounts of funding because needed educational services and training programs were not available through the vocational education delivery system. Among other things, this substantial decrease in vocational education students means that the facilities of vocational education were operating below capacity and could have accommodated additional JTPA students, not to mention the additional financial resources.
>
> The Council recognizes that there are regulatory and paperwork barriers that could account for part of this problem, but in the mainstream of things, the problem merely deepens its concern and whets its curiosity as to the precipitative factors responsible for such a breach in the promise of service that both delivery systems make, through the implication of their responsibilities, to the citizens of Kentucky.

If I understand the intent and composition of the Human Resource Investment Council, an independent point of view such as the one I just read, free from outside influences, one that would award an "F" grade if deserved, is not possible because, as I explained earlier, of the intimidating knowledge of the chief administrative officers of Subsection (b)(3) and the preponderant influence that will flow down to them from the governor. A provision for an independent point of view should be added to Section 201 of the JTPA amendments or the State Councils on Vocational Education should continue to provide that point of view.

Clearly, the original reason that birthed the State Councils on Vocational Education is as valid today as it was back in 1968, maybe even more so if the Human Resource Investment Council as described in Section 201 of the JTPA amendments is adopted.

I acknowledge that, historically, there are scattered instances in which State Councils permitted the usurpation of their independence. The Council in Kentucky once suffered through a period of having a "do nothing" reputation. But, by and large, the State Councils on Vocational Education have been most vigilant, and they have maintained their mandated purpose for existing. A list of their significant achievements was submitted for your information.

It is my opinion that the State Councils on Vocational Education would complement the Human Resource Investment Council. During the biennium covered by the report that supplied the excerpts that I included in this presentation, approximately $112,000,000 were available for the job training delivery system and $114,000,000 were available for the vocational education delivery system. In the case of Kentucky, only sixteen (16) percent of the total funding for vocational education comes from federal dollars. Yet, schools that accept federal monies must also accept federal regulations governing the use of those funds in all of their programs including those financed exclusively with state funds.

In my opinion, the massive size of the vocational education delivery system, the enormous amount of funding it receives, and the wide variety of its programs require a focused group such as the State Council on Vocational Education for oversight.

If the Human Resource Investment Council is adopted as described in Section 201 of the JTPA amendments, I believe it is reasonable to doubt that appropriate and effective oversight of the vocational education delivery system will be forthcoming because it will be only one of seven applicable programs and therefore disproportionately represented, not to mention the problem of undue influence that I mentioned earlier.

The point I wish to make is that some provision for independent oversight should be provided in the amendments regardless of what name it discharges its responsibilities under although it seems reasonable to suggest that the State Councils on Vocational Education are the logical choice since they are already established. Conversely, to dismantle them at this point in time would seem to offend reason since the Human Resource Investment Council will likely need some fine tuning at some point in the future. The point I am suggesting is it might be advisable to retain the State Councils on Vocational Education until the waters you are embarking into have been thoroughly charted.

I have only one more observation concerning the independent oversight group. It has been suggested that such a group be left up to the discretion of the governors. I believe that would be a mistake because it would promote inconsistency throughout the states. For example, in one state there would be an independent group while in another there may not be, depending on the pleasure of the governor. A new governor might abolish an independent group that was put in place because the former governor favored such a group and so forth. Among other things, this would most assuredly hamper any effort to produce uniform, objective reporting to the U. S. Department of Labor and Education.

As a former vocational education student, teacher, state school principal, state department of education program supervisor, and now executive director of the Governor's Council on Vocational Education, I will close by saying that, with the exception of the independent oversight group, I sincerely believe the JTPA amendments are well intended, particularly with respect to the Human Resource Investment Council. I am certain that the educational services and training programs made possible by the proposed amendments will help the disadvantaged and others all across America raise their standard of living.

Again, Mr. Chairman, I thank you for the opportunity to present this information to your committee.

POSSIBLE DUTIES OF A
HUMAN RESOURCE INVESTMENT COUNCIL

Currently State Councils on Vocational Education provide an easy avenue for business, industry, and labor to participate in policy development for vocational education. The Carl D. Perkins Vocational and Applied Technology Act of 1990, not only maintained these State Councils, but in fact expanded their role and responsibility.

The Department of Labor included in its Job Training Partnership Amendments proposal a recommendation for a Human Resource Investment Council. A so called "Super Council" to replace the State Councils on Vocational Education as well as other advisory groups. The rationale behind the creation of this new Council is that it will eliminate duplication and cause greater cooperation and coordination. The problem however, is that we are talking about volunteers. Asking volunteers to accomplish the tasks required in the proposed Human Resource Investment Council would seriously jeopardize the involvement of business and industry.

The following many pages list the duties that could be mandated for the Human Resource Investment Council. These duties are based on the proposals presented during the last Congress, but the best information available at this time uses the same proposals. I think that you will agree that it will not strengthen business and industry involvement, but it does create the very real possibility of establishing another level of bureaucracy.

I have also included an estimate of the size of this new Council. Please remember that this is an estimate, but it is based upon what is stated in draft proposals of the JTPA amendments as populations needing to be represented on the Council.

DUTIES OF HUMAN RESOURCE INVESTMENT COUNCIL
With Respect To

ADULT EDUCATION

Duties: Each State human resource investment council shall --

(1) meet with the State agency or its representatives during the planning year to advise on the development of the State plan;

(2) advise the State agency concerning --

  (A) policies the State should pursue to strengthen adult education; and

  (B) initiatives and methods the private sector could undertake to assist the State's improvement of adult education

(3) (A) approve the plan for evaluation required in section 352 and participate in the implementation and dissemination of such evaluations.

  (B) advise the Governor, the State Legislature, and the general public of the State of the findings of such evaluations, and

  (C) include in any report of such evaluations its comments and recommendations.

WAGNER-PEYSER ACT

I. This Council would review and certify plans developed by the employment service and the private industry councils of each of the service delivery areas. The council will determine if the plans have been developed and agreed upon jointly by the employment service and the PIC's, and that the plans are consistent with the Governor's coordination and special services plan under the JTPA.

The Council could make recommendations to modify the plans.

II. This Council would also have the responsibility of formulating policies and discussing problems relating to employment and further insuring impartiality, neutrality, and freedom from political influence in the solution of such problems.

REHABILITATION ACT OF 1973

Sec. 19. The State human resource investment council shall review the provision of services and the use of funds and resources under this Act and advise the Governor on methods of coordinating such provision of services and use of funds and resources with the provision of services and the use of funds and resources under --

(1) the Adult Education Act;
(2) the Carl D. Perkins Applied Technology Education Act;
(3) the Job Training Partnership Act; and
(4) the Wagner-Peyser Act.

JOB TRAINING PARTNERSHIP ACT

Duties listed under Section 122 of the JTPA --

The State human resource investment council is authorized to obtain the services of such professional, technical, and clerical personnel as may be necessary to carry out its functions under this Act.

In order to assure objective management and oversight, the State human investment council, in carrying out its duties under this Act, shall not operate programs or provide services directly to eligible participants, but shall exist solely to plan, coordinate, and monitor the provision of such programs and services.

The plans and decisions of the State human investment council relative to carrying out its duties under this Act, shall be subject to approval by the Governor.

For the purposes of section 105 of the Vocational Education Act of 1963, the State council shall be considered to be the same as either the State Manpower Services Council referred to in that section or the State Employment and Training Council authorized under the Comprehensive Employment and Training Act.

The State council shall --

(1) recommend a Governor's coordination and special services plan;

(2) recommend to the Governor substate service delivery areas, plan resource allocations not subject to section 202(a), provide management guidance and review for all programs in the State, develop appropriate linkages with other programs, coordinate activities with private industry councils, and develop the Governor's coordination and special services plan and recommend variations in performance standards;

(3) advise the Governor and local entities on job training plans and certify the consistency of such plans with criteria under the Governor's coordination and special services plan for coordination of activities under this Act with other Federal, State, and local employment-related programs, including programs operated in designated enterprise zones;

(4) review the operation of programs conducted in each service delivery area, and the availability, responsiveness, and adequacy of State services, and make recommendations to the Governor, appropriate chief elected officials, and private industry councils, service providers, the State legislature, and the general public with respect to ways to improve the effectiveness of such programs or services;

(5) review and comment on the State plan developed for the State employment service agency;

(6) make an annual report to the Governor which shall be a public document, and issue such other studies, reports, or documents as it deems advisable to assist service delivery areas in carrying out the purposes of this Act.

(7) (A) identify, in coordination with the appropriate State agencies, the employment and training and vocational education needs throughout the State, and assess the extent to which employment and training, vocational education, rehabilitation services, public assistance, economic development, and other Federal, State, and local programs and services represent a consistent, integrated, and coordinated approach to meeting such needs; and

(B) comment at least once annually on the reports required pursuant to section 105(d)(3) of the Vocational Education Act of 1963; and

(8) review plans of all State agencies providing employment, training, and related services, and provide comments and recommendations to the Governor, the State legislature, the State agencies, and the appropriate Federal agencies on the relevancy and effectiveness of employment and training and related service delivery systems in the State.

Functions of Council listed in Section 317 --

Sec. 317. For purposes of this title, the State job training coordinating council shall --

(1) provide advice to the Governor regarding the use of funds under this title, including advice on

(A) the designation of substate areas and substate grantees, and the procedures for the selection of representatives within such areas under section 312; and

(B) the methods for allocation and reallocation of funds, including the method for distribution of funds reserved under section 302(c)

(2) and funds subject to reallocation under section 303(d);

(3) submit comments to the Governor and the Secretary on the basis of review of the State and substate programs under this title;

(4) review, and submit written comments on, the State plan (and any modification thereof) before its submission under section 311;

(5) review, and submit written comments on each substate plan submitted to the Governor under section 313; and

(6) provide advice to the Governor regarding performance standards.

CARL D. PERKINS VOCATIONAL AND APPLIED TECHNOLOGY EDUCATION ACT

(d) Each State council shall --

(1) meet with the State board or its representatives during the planning year to advise on the development of the State plan;

(2) make recommendations to the State board and make reports to the Governor, the business community, and general public of the State, concerning --

(A) the State Plan;

(B) policies the State board should pursue to strengthen vocational education (with particular attention to programs for the handicapped); and

(C) initiatives and methods the private sector could undertake to assist in the modernization of vocational education programs;

(3) analyze and report on the distribution of spending for vocational education in the State and on the availability of vocational education activities and services within the State;

(4) furnish consultation to the State board on the establishment of evaluation criteria for vocational education programs within the State;

(5) submit recommendations to the State board on the conduct of vocational education programs conducted in the State which emphasize the use of business concerns and labor organizations;

(6) assess the distribution of financial assistance furnished under this Act, particularly with the analysis of the distribution of financial assistance between secondary vocational education programs and postsecondary vocational education programs.

(7) recommend procedures to the State board to ensure and enhance the participation of the public in the provision of vocational education at the local level within the State, particularly the participation of local employers and local labor organizations;

(8) report to the State board on the extent to which individuals who are members of special populations are provided with equal access to quality vocational education programs;

(9) analyze and review corrections education programs; and

(10) (A) evaluate at least once every 2 years --

(i) the extent to which vocational education, employment, and training programs in the State represent a consistent, integrated, and coordinated approach to meeting the economic needs of the State;

(ii) the vocational education program delivery system assisted under this Act, and the job training program delivery system assisted under the Job Training Partnership Act, in terms of such delivery systems' adequacy and effectiveness in achieving the purposes of each of the 2 Acts; and

(iii) make recommendations to the State board on the adequacy and effectiveness of the coordination that takes place between vocational education and the Job Training Partnership Act;

(B) comment on the adequacy or inadequacy of State action in implementing the State plan;

(C) make recommendations to the State board on ways to create greater incentives for joint planning and collaboration between the vocational education system and the job training system at the State and local levels; and

(D) advise the Governor, the State board, the State job training coordinating council, the Secretary, and the Secretary of Labor regarding such evaluation, findings, and recommendations.

Potential Size of Human Investment Council

In the proposals, the membership of the Council would be represented in certain percentages. This estimate is based on the 20 percent section, including permanent members from the agencies administering the various acts, the State Legislature, and other State agencies. It is my estimate that this Council could possibly have as a minimum, 60 members. The estimate is based on the following assumptions.

> In Nebraska there are only two State agencies with primary responsibility for administration of the Federal Acts affected by this legislation. This would account for two permanent members.
>
> There are ten other organizations and agencies listed, from which members for this section may be appointed. If only one person were appointed to represent each of these groups ten people would be appointed.
>
> If this group of 12 serve as 20 percent of the total membership, the Nebraska Human Investment Council would need to have at least 60 members.
>
> These estimates are also based on the assumption that the Governor will not identify other groups which should be represented on the Council.

NASCOVE POSITION PAPER

Coordination

It is incumbent that Acts with similar expected outcomes require closer coordination between the brokers (JTPA) and the service providers (Vocational Education, employers, etc.), for the purpose of improving quality and effectiveness. Coordination should not be viewed as a mechanism of eliminating waste, but rather a mechanism for improving effectiveness. Coordination is most effective when it is achieved at the local level, but the policy to coordinate must be established, Federally. That means the Federal legislation must establish an environment that will encourage coordination. The eight percent reserve in the current JTPA, encourages coordination of education and JTPA activities. This reserve must be continued with the emphasis on using twenty percent of the funds for joint planning in order to maintain the Federal interest in coordination. Given the proposal to expand the youth effort to a year round activity, the reserve should be increased to at least twelve percent. If the new focus of the legislation requires more intensive services including remediation and basic skills instruction school officials will need to assist in establishing education offerings, planning entrance requirements, and outlining individual education and job-training plans. To accomplish these tasks coordination funds will need to be increased not eliminated from the law.

The United States Department of Labor, JTPA Advisory Committee Report provided some general guidelines for future policies on coordination, that should be considered as support for this testimony. "Any policy must be outcome driven, and allow for local flexibility," to assure that coordination is not viewed simply as a mechanism of eliminating waste. Again as the JTPA Advisory Committee Report states "coordination does not imply nor require program consolidation.

Improving Effectiveness

Many methods could be utilized to improve program effectiveness, but one overall theme should be consistency. This consistency would include common definitions among the Acts, common reporting periods, and common planning cycles.

Adequacy and Evaluation are also necessary components in improving effectiveness. There needs to be information which would allow for meeting needs, but there is also a need for more complete information to allow for evaluation of the program. Baseline performance standards will only provide part of the picture. Follow-up of completers needs to be emphasized to obtain information concerning adequacy of the program. To be effective this follow-up needs to be longer than thirteen weeks. Once this information is gathered it needs to be readily accessible at the local and state level and comparable across service systems to aid in program planning, development, and implementation.

Changes in Training Methodology

Recognizing that the rate of technological advancements of the last decade will probably accelerate in this decade, it is logical to assume the body of knowledge and skills demanded of skilled and technical workers will proportionately expand. Coupled with the shrinking workforce, it becomes evident that greater emphasis must be placed on more definitive training plans, combinations of on-the-job and institutional training, and longer duration education and training for the populations targeted by the JTPA.

In order for these amendments to best serve the nation during the 1990's we recommend:

(A) Greater emphasis be placed on referring clients to vocational education so that applied academics, job and technical skills are developed in a shop/laboratory structured setting. These experiences should be followed by coordinated job placement which includes follow-up instruction typical of apprenticeship.

(B) When on-the-job training is used, the duration of training shall be commensurate with the skills to be learned. Applied related instruction shall be an integral part of the training plan and provided by vocational education wherever feasible.

(C) The local job training plan and the State Coordination Plan each needs to be developed jointly including the key secondary and postsecondary vocational education representatives.

(D) Financial incentives need to be included in the legislation which affect the joint provision of services.

Incentives

Performance standards are established in the current JTPA legislation. These standards are viewed in too many cases as the "minimum" but in many cases the minimum becomes the maximum. To improve the effectiveness of the programs and meet the workforce needs of this nation in the 1990's we must go to world-class standards as a goal.

We recommend that incentives be built into the amendments allowing for local flexibility, which would encourage coordination efforts, in order to better meet the needs of the hard to serve population. The legislation must provide the additional resources required to accommodate the longer term training necessary for the disadvantaged to become a part of the increasingly technological workforce of the future.

Improved Reciprocity

Improved coordination and cooperation between vocational education and other service providers for JTPA could be achieved by the inclusion of the following provisions in the JTPA amendments.

(A) Private Industry Councils shall include in their membership, representatives from both secondary and postsecondary vocational education.

(B) The State Special Services and Coordination Plan for JTPA shall be reviewed and commented on by both the state administrative agency for Vocational Education and the State Council on Vocational Education. This would then balance with the review and commentary on the Vocational Education Plan by the Job Training Coordinating Council.

(C) Two co-equal private sector councils are needed to provide oversite and guidance for both the JTPA and the Carl Perkins Vocational Education Act. During the last Congress the Carl D. Perkins Vocational and Applied Technology Education Act was passed. A major component of that Act is the role that is played by the State Council on Vocational Education. In early versions of the amendments a Human Resource Investment Council was included, but in the final version the Congress evidently decided that separate Councils could better accomplish their tasks. Input from the Private Sector is necessary if we are going to be able to meet the demands of workplace. But asking volunteers to monitor and evaluate five or six separate pieces of legislation is a sure way to discourage the Private Sector from participating.

Chairman Perkins. Thank you for your testimony, Shafter, and we now turn to William Maguire, who is the Director of the Camden County REACH Program, Camden, New Jersey. Mr. Maguire, will you please proceed?

STATEMENT OF WILLIAM MAGUIRE, DIRECTOR, CAMDEN COUNTY REACH PROGRAM, CAMDEN, NEW JERSEY

Mr. Maguire. It is the Camden County REACH Program, Realizing Economic Achievement. Mr. Chairman, I would like to welcome you and your staff to Camden County. It is also a pleasure to be working with Congressman Rob Andrews again. A year or so ago, then free hold director Rob Andrews recommended me for the position I hold, and I very much appreciate that, and miss working with the Congressman on a daily basis.

Mr. Andrews. The feeling is mutual.

Mr. Maguire. Very, very much. I bet I speak for a large number of people from Camden County.

Mr. Andrews. We may be working more closely together in a few months.

[Laughter.]

Mr. Maguire. As Director of the Camden County REACH Program, which is the State of New Jersey's welfare reform initiative, I have developed a solid partnership with the local service delivery area. In order for the REACH program to successfully achieve many of its goals, this partnership is not of convenience, but rather of necessity.

I reviewed very carefully the proposed amendments to the JTPA legislation, and can support many of the revisions being suggested at this time. However, it is critical to point out that the problems that are confronting JTPA programs on a national level cannot be solved by simply adding additional branches to what already exists as a very, very large tree. Rather, we would probably be better served by strengthening the JTPA program at its roots. Symptomatic of this particular issue is the periodic, major overhauls, which occur every 8 to 10 years. Manpower Training Programs of the 1960s, CETA programs in the 1970s, the JTPA program introduced in the early 1980s. It is quite possible that the focus should be directed to our national and international policy agendas regarding trade, employment, education and skills training. At best, these policies are unclear, and at times in conflict. At its worse, they do not exist at all.

On another level, the local SDAs have the responsibility of working in concert with other Department of Labor funded programs which assist a shared population with similar services. Job Service, the unemployment office and the DVR offices residing in the local SDAs are struggling to maintain staff and program levels to carry out the agency's objectives. Financial allocations are such that no one entity has an adequate resource base to accomplish its mission.

What is more frightening is the potential competition among these providers who are allegedly part of the same team. Serious consideration needs to be given to a consolidation of at least the intake/outreach systems. This first step will reduce costs, provide a comprehensive and coordinated system for services and present a less complex marketplace for private sector involvement.

Other recommendations which I believe would have an impact in a positive manner on JTPA are as follows:

Number one, apply advocacy orientated case management and supportive social services to all participants requiring employment-related assistance. Require that JTPA identify target groups. Provide a comprehensive service assessment, also coordinated links to social services in support of case management. This consolidation of Department of Labor programs will provide a program policy and a framework for all citizens in need of employment-related assistance.

Number two, focus JTPA activities on output goals, the achievement of economic self-sufficiency, rather than on process goals of how many programs are offered to how many clients. Eliminate programs that do not work; simply expand those that do.

Number three, develop a true partnership with the business and industrial sector. Increase involvement of the private sector and the allocation of training funds to insure that the program and services offered by us, the public sector, reflect the true needs of the labor market. Restructure and revitalize the role of the Private Industry Council.

Number four, improve services to youth. While JTPA offers isolated periodic programs to youth, there is currently no comprehensive and ongoing effort to involve, train and provide ongoing support to youth in the areas of preparation and access to gainful employment.

Number five, Consumer Advisory Boards, or CABS. The inclusion of participants, consumers, of the JTPA services in the planning, implementation, and oversight of programs would infuse life into a partnership necessary for real program success.

Number six, review carefully the emphasis on benchmark and competency levels to insure that the cost related to their implementation can be justified by the employment outcomes generated.

Number seven, performance based contracting, which has become a key feature of JTPA programs, must meet two conditions. Number one, the ability to maintain program integrity, and number two, its implementation should make good business sense.

Number eight, we should revisit the concept of public service employment programs. Those who were part of this process in the CETA days, unfortunately, that was the one part of the program that from CETA to JTPA, never made the transition. And it was the only part of the program I would have voted for. It had a lot of problems. A lot of mess goes along with it, but I believe we need to reconsider it. It should be considered, also, as a viable alternative to the current income maintenance system, which has neutralized the AFDC population in this country.

Number nine, develop innovative programming which will allow our work force not simply to react to changes in economic conditions, but rather be competitive in the world marketplace.

Number ten, reexamine the JTPA program at its core. Has the system and its processes become more important than its bottom line to assist individuals to reach economic self-sufficiency?

In conclusion, Mr. Chairman, I believe that it is critical to reexamine several basic questions regarding the JTPA program if this Nation is going to commit the financial resources required to achieve sound, cost-effective employment policy.

Number one, what should be expected from the JTPA program? Is there a bottom line?

Number two, should the JTPA program be the first, true employment opportunity for our economically disadvantaged youth?

Number three, can the JTPA program be considered the vehicle to re-tool our labor force for the demands of the 21st Century?

Number four, is JTPA the best alternative for dislocated workers who were formerly successful employees of some of our Nation's proudest industries?

And number five, will JTPA offer the type of training opportunities which will make it economically feasible for women to make the transition from AFDC, their welfare roles, to economic self-sufficiency?

Again, Mr. Chairman, Congressman Andrews, I would like to thank the committee very much for this opportunity. I have also included in my testimony, but will not go over it, a synopsis of what we have done at the Camden County REACH program, which I think has been very, very successful. Thank you very much for this opportunity.

[The prepared statement of William Maguire follows:]

PROPOSED AMENDMENTS TO THE
JOB TRAINING PARTNERSHIP ACT
(JTPA)

estimony provided to:

The Committee on Education and Labor
U.S. House of Representatives
Subcommittee on Employment Opportunities

arl C. Perkins
hairman, Subcommittee
n Employment Opportunities

Robert E. Andrews
Member of Congress

bmitted by:

William J. Maguire
REACH Director
Camden County REACH Program
1300 Admiral Wilson Blvd.
Camden, New Jersey 08102

Telephone: 1-609-968-4203
Fax: 1-609-365-0591

Dear Mr. Chairman:

I very much appreciate the opportunity to express my opinion regarding the proposed amendments to the Job Training Partnership Act (JTPA). As the Director of the Camden County REACH Program, the State of New Jersey's welfare reform initiative, I have developed a solid partnership with the local Service Delivery Area (SDA). In order for the REACH Program to be able to successfully achieve its goals, this partnership is not of convenience but rather necessity.

I have reviewed carefully the proposed amendments to the JTPA legislation and can support many of the revisions being suggested at this time. However, it is critical to point out that the problems that are confronting JTPA programs on a national level cannot be solved by adding additional branches to this very large tree. Rather, we would probably be better served by strengthening its roots. Symptomatic of this particular issue is the periodic major overhauls which occur every eight to ten years. Manpower Training Programs in the 1960's. CETA programs through the 1970's, and the JTPA program introduced in the early 1980's. It is quite possible that the focus should be directed to our national and international policy agendas concerning trade, employment, education and skills training. At its best, these policies are unclear and at times in conflict. At its worst, they do not exist.

n another level, the local SDA's have the responsiblity of working in concert with other DOL funded programs which assist a shared population with similar services. Job Service, the U.I. Office, and DVR Offices residing in the local SDA's are struggling to maintain staff and program levels to carry out their agency's objectives. Financial allocations are such that no one entity has an adequate resource base to accomplish its mission. What is more frightening is the potential competition among these providers who are allegedly all part of the same team. Serious consideration needs to be given to a consolidation of the intake/outreach systems. This first step would reduce costs, provide a comprehensive and coordinated system for services and present a less complex marketplace for private sector involvement.

Other recommendations that would impact on these issues in a positive manner are as follows:

1. Apply advocacy-oriented case management and supportive social services to all participants requiring employment-related assistance. Require that JTPA dentify target groups. Provide a comprehensive service assessment, coordinated links to social services, and supportive case management. The consolidation of DOL Programs would provide a program policy and framework for all citizens in need of employment-related assistance.

2. Focus JTPA activities on output goals, i.e. the achievement of economic self-sufficiency, rather than on process goals of how many programs are offered to how many clients. Eliminate programs that don't work; expand those that do.

3. Develop a true partnership with the business and industrial sector. crease involvement of the private sector in the allocation of training funds to assure that the program and services offered by the public sector reflect the true needs of the labor market. Restructure and revitalise the role of PIC.

4. Improve services to youth. While JTPA offers isolated periodic programs to youth, there is currently no comprehensive and ongoing effort to involve, train, and provide ongoing support to youth in the areas of preparation and access to gainful employment.

5. Consumer Advisory Boards (CABS) The inclusion of participants (consumers) of JTPA services in the planning, implementation, and oversight of programs would infuse life into a partnership necessary for real program success.

6. Review carefully the emphasis on benchmarks and competency levels to insure that the cost related to their implementation can be justified by the employment outcomes generated.

7. Performance based contracting, which has become a key feature of JTPA programs, must meet two conditions. The ability to maintain program integrity and its implementation should make good business sense.

8. Re-vist the concept of a Public Service Employment Program. It should be considered a viable alternative to the current income maintenance system which has neutralized the AFDC population in this nation.

9. Develop innovative programming which will allow our workforce not simply to react to changes in economic conditions but rather be competitive in the world marketplace.

10. Re-examine the JTPA Program at its core. Has the system and its processes become more important than its bottom line to assist individuals to reach economic-sufficiency?

In conclusion, Mr. Chairman, I believe that it is critical to re-examine several basic questions regarding the JTPA program if this nation is going to commit the financial resources required to achieve a sound, cost-effective employment policy:

- What should be expected from the JTPA Program? Is there a bottom line?
- Should the JTPA program be the first true employment opportunity for economically disadvantaged youth?
- Can the JTPA program be considered the vehicle to re-tool our labor force for the demands of the 21st Century?
- Is JTPA the best alternative for dislocated workers who were formerly successful employees of some of our nations proudest industries?
- Will JTPA offer the type of training opportunities which will make it economically feasible for women to make the transition from AFDC to economic self-sufficiency? (see chart)

Again, I would like to thank the subcommittee for this opportunity. I have also included for your review a program report for the Camden County REACH Program.

Sincerely,

William J. Maguire
REACH Director

CASE # 1

FAMILY SIZE 2

AFDC GRANT $322.00

MAXIMUM FOOD STAMP ALLOTMENT $177.00

NEA PAYMENT $37.83 ($454.00 yr.) Gas Heat

RENT SUBSIDY $100.00

Total $636.83 at 160 hours = $3.98 hr.

	HOUR	WEEK	MONTH	YEAR
INITIAL WAGE	$3.98	$159.20	$636.80	$7641.60
INCREASE x 25%	$4.98	$199.20	$796.80	$9561.60
'CREASE x .40%	$5.57	$222.80	$891.20	$10694.40
INCREASE x 60%	$6.37	$254.80	$1019.20	$12230.40
INCREASE x 75%	$6.97	$278.80	$1115.20	$13382.40

This family loses AFDC eligibility at
$3.98 per hour. ($3.73 per hour cut-off)

CASE # 2

FAMILY SIZE 1

DC GRANT $424.00

MAXIMUM FOOD STAMP ALLOTMENT $248.00

NEA PAYMENT $50.50 ($606.00 yr.) Gas Heat

RENT SUBSIDY $100.00

Total $822.50 at 160 hours = $5.14 per hour.

	HOUR	WEEK	MONTH	YEAR
INITIAL WAGE	$5.14	$205.60	$822.40	$9868.80
INCREASE x 25%	$6.43	$257.20	$1028.80	$12345.60
INCREASE x.40%	$7.20	$288.00	$1152.00	$13824.00
INCREASE x 60%	$8.22	$328.80	$1315.20	$15782.40
INCREASE x 75%	$9.00	$360.00	$1440.00	$17280.00

This family loses AFDC eligibility at
$5.14 per hour. ($4.90 per hour cut-off)

CASE # 1

FAMILY SIZE 4

AFDC GRANT $488.00

MAXIMUM FOOD STAMP ALLOTMENT $304.00

NEA PAYMENT $50.50 ($606.00 yr.) Gas Heat

RENT SUBSIDY $100.00

Total $942.50 at 160 hours =
$5.89 per hour.

	HOUR	WEEK	MONTH	YEAR
INITIAL WAGE	$5.89	$235.60	$942.40	$11308.80
INCREASE x 25%	$7.36	$294.40	$1177.60	$14131.20
INCREASE x 40%	$8.24	$329.60	$1318.40	$15820.80
INCREASE x 60%	$9.42	$376.80	$1507.20	$18086.40
INCREASE x 75%	$10.31	$412.40	$1649.60	$19795.20

This family loses AFDC eligibility at
$5.89 per hour. ($5.64 per hour cut-off)

CASE # 4

FAMILY SIZE 5

DC GRANT $552.00

MAXIMUM FOOD STAMP ALLOTMENT $304.00

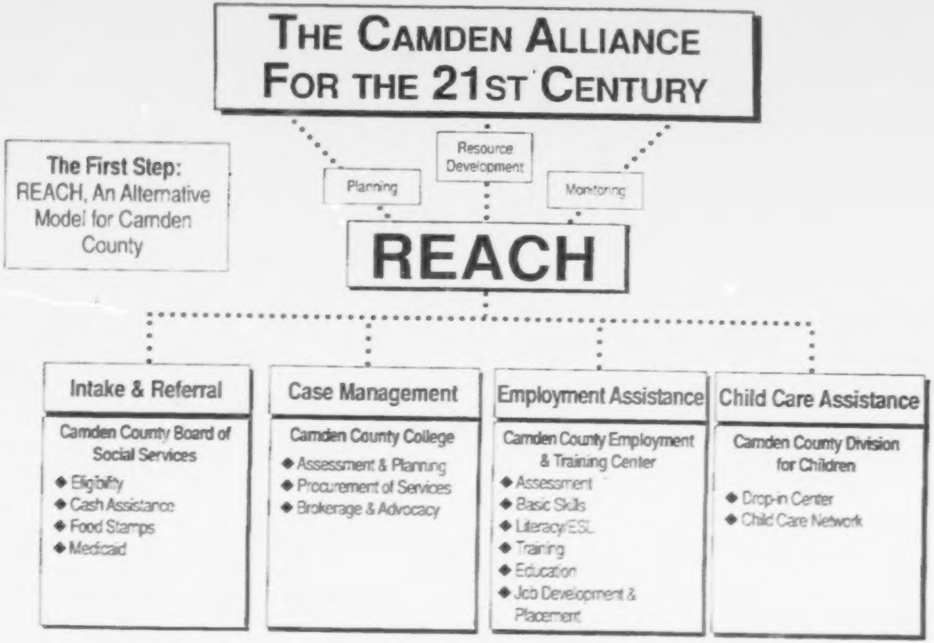
NEA PAYMENT $47.66 ($572.00 yr.) Gas Heat

RENT SUBSIDY $100.00

Total $1051.67 at 160 hours =
$6.57 hr.

	HOUR	WEEK	MONTH	YEAR
INITIAL WAGE	$6.57	$262.80	$1051.20	$12614.40
INCREASE x 25%	$8.21	$328.40	$1313.60	$15763.20
CREASE x 40%	$9.20	$368.00	$1472.00	$17664.00
INCREASE x 60%	$10.51	$420.00	$1680.00	$20160.00
INCREASE x 75%	$11.50	$460.00	$1840.00	$22080.00

This family loses AFDC eligibility at
$6.57 per hour. ($6.38 per hour cut-off)



THE CAMDEN ALLIANCE FOR THE 21ST CENTURY

The First Step:
REACH, An Alternative Model for Camden County

Planning

Resource Development

Monitoring

REACH

Intake & Referral

Camden County Board of Social Services

- Eligibility
- Cash Assistance
- Food Stamps
- Medicaid

Case Management

Camden County College

- Assessment & Planning
- Procurement of Services
- Brokerage & Advocacy

Employment Assistance

Camden County Employment & Training Center

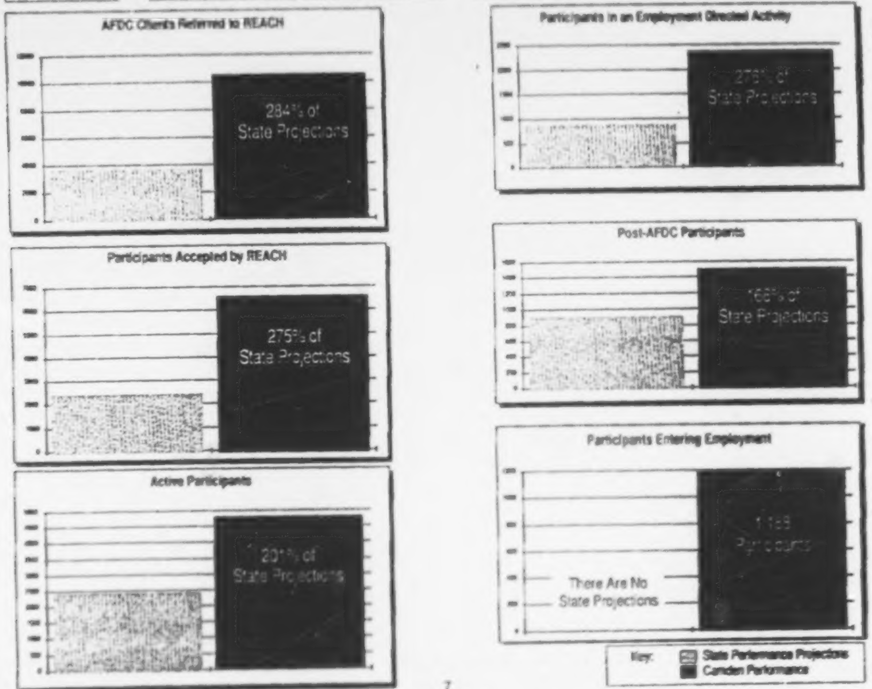
- Assessment
- Basic Skills
- Literacy/ESL
- Training
- Education
- Job Development & Placement

Child Care Assistance

Camden County Division for Children

- Drop-in Center
- Child Care Network

CAMDEN COUNTY REACH PERFORMANCE HIGHLIGHTS



I. Introduction

For the most part, the history of welfare and welfare reform in the United States has been one of unrealized expectations and untapped potential. In recent years, the position of the federal government has developed into a mandate requiring welfare benefits to be closely linked with job training and the provision of extended child care and medical benefits. New Jersey's recent statewide welfare reform program is Realizing Economic Achievement (REACH), begun in 1987 as a precursor to the Federal Jobs Program. Although the State provides funding and supervision to REACH, the operational configuration and management of REACH is the responsibility of each county. The Camden County Freeholders have adopted a REACH plan which envisions a unique approach to the management of the REACH program, a concentrated effort to develop economic opportunities, housing, social support, and other necessities to REACH clients, and a county-wide effort to provide economic opportunities to REACH graduates to enable them to permanently break the cycle of poverty.

The plan calls for the creation of a new non-profit entity to provide the leadership, coordination, and resource development for the anti-poverty effort in Camden County. This new non-profit entity is called "The Camden Alliance for the 21st Century."

As stated in the plan, the mission of the Alliance is:

> To ensure and increase the economic health and vitality of Camden County, we all have a moral and economic obligation to eliminate poverty in our county so that every person has the opportunity for a job, quality education, adequate and affordable housing, and adequate medical care. To create the environment for this to occur, we must create a partnership among business, government, social institutions, communities, and each resident to generate new economic and human capital.

During the course of planning for REACH, the State of New Jersey welfare program, the Camden County REACH Planning Committee, under the leadership of the Community Planning and Advocacy Council of Camden County, analyzed the life circumstances of welfare recipients in Camden County. The Planning Committee confronted several disturbing realities. First, the culture of poverty, particularly in Camden City, among the poorest cities in the United States, requires a broader and more comprehensive approach than REACH alone. Second, the economic security of the larger Camden County community will be increasingly dependent on the ability of children born of poor families to participate in the social and economic life of Camden County in the near future. Third, the huge amounts of public dollars that will be required in the future to properly support conomically and socially dependent people will present an overwhelming burden to axpayers.

The Planning Committee identified the symptoms of poverty as:

- Economic Deprivation of Poor Communities and Neighborhoods
- Problematic Housing and Unsafe Neighborhoods
- Family Distress
- Poor Health

- **Ineffective Education**
- **Government Welfare Dependency**
- **Inadequate Transportation**
- **Absence of Business and Investment**

The Planning Committee also found that poor communities and neighborhoods and their residents are burdened by powerlessness and hopelessness and see little opportunity to improve their lives.

The Committee concluded that while REACH, the State welfare initiative, is a necessary and good first step as a means of dealing with government welfare dependency, the other symptoms of poverty must be attacked simultaneously or all the good intention of REACH will not be realized.

The plan calls for a collective effort to alleviate the symptoms of poverty and assist people to permanent self-sufficiency. The key elements of a successful effort would be large-scale government and private investment, community-wide collective leadership, and the empowerment of poor people and poor communities.

The Camden Alliance for the 21st Century has been established as the entity to take the lead. The primary goal of the Camden Alliance for the 21st Century is to provide visibility, leadership, coordination, and resource development to the overall effort to reduce poverty in Camden County. The Alliance will be responsible for developing programs and activities in the following areas:

- Community Economic Development
- Neighborhood and Housing Development
- Family Resource Networks
- Health Coalitions
- Education Networks
- REACH
- Transportation Assistance
- Committee for Economic Investment

The purpose of this document is to provide updated information regarding progress toward implementing the Camden County REACH Program and the Camden Alliance for the 21st Century.

II. The First Step: REACH

Within the framework of the Alliance plan, the initial means by which welfare recipients are to move from dependency to self-sufficiency is the REACH program. The mission of the REACH program is to assist and encourage AFDC recipients toward self-sufficiency and independence by providing access to education, job training and placement. These latter two services are provided by the Camden County Employment & Training Center (JPTA). Individual participants are guided through each phase of the REACH process by Case Management staff. Child care services and child care counselling for REACH participants will be coordinated through the Camden County Division for Children. In addition to supervising REACH participant intake and eligibility verification, the Camden County Board of Social Services (CCBSS) provides participants with AFDC grants, food stamp vouchers, some child care vouchers and transportation reimbursements (Training Related Expenses-TRE's).

Although the distinct service components listed above can be found in social service programs throughout the State, the Camden County REACH program represents marked innovations in terms of service coordination and delivery. Case Management services for REACH participants are delivered outside the traditional welfare bureaucracy. The Planning Committee recommended the establishment of an advocacy-based case management system whose primary purpose would be economic self-sufficiency for their clients. Unlike any other similar program in the State, all the service components of the amden County REACH Program are collocated in one facility and managed through an on-site Director. This facility, known as Boulevard Plaza, will serve as a one-stop service delivery system for all REACH participants. Collocation is intended both to facilitate more effective coordination of services among the various components within the program and to reduce participant drop out rates which commonly undermine the effectiveness of such efforts.

Collocation also spatially represents the fundamental emphasis placed on participants' needs as the focal point of the REACH program. This emphasis can also be seen in the function of Case Managers as brokers/advocates for each participant in the attaining of his/her goals within the REACH. The relationship between a Case Manager and each participant is explicitly described in a mutually agreed to and signed contract. This type of participant input and consent pervades all aspects of the REACH program. At the Program-wide level, participant involvement is represented by the constitution and activity of the REACH Advisory Board. This group, unique to the Camden County REACH Program, is composed of actual participants and plays a pivotal advocacy role between participants and REACH program management. All substantive policy changes, deletions or additions must be agreed upon by the REACH Advisory Board before implementation. The Case Management omponent provides support to this Board.

The REACH program has initiated a number of other outreach efforts to better communicate and offer services to REACH participants. An Hispanic Task Force has been created and meets regularly to provide input into the program. REACH has developed a close working relationship with a new comprehensive parent-child center called Gamma House to offer services to teen parents. In addition, a planning group comprised of the

REACH managers, the Teen Progress program of the Board of Social Services, and other community providers are developing plans to offer additional services to adolescents. The REACH Director and the Director of Case Management have joined the County Homeless Network in an effort to locate appropriate services for homeless families.

The overall administration of the REACH program is the responsibility of the on-site Director, a County employee, and his staff. Within the innovative organizational framework of the Camden County REACH program, the Director plays the vital role of ensuring that the four collocated components achieve the high levels of policy and operational coordination that serve as the foundation of this unique program. Throughout all aspects of REACH, the Director must on the one hand emphasize teamwork and consensus, but on the other hand keep the program focused and moving forward.

Beyond the parameters of REACH itself, the Director serves as the most authoritative representative of the program as a whole. This representative function remains essential to the program's continued success as it is scrutinized and evaluated by federal, state, and county government entities as well as local community groups.

Performance Highlights

Since it began with a two-month pilot phase in May, 1989, the Camden County REACH Program has quickly established itself as one of the most effective programs of its kind in the State.

The committment and hard work of the REACH staff within the program's innovative framework have combined with the perseverance of the participants to yield impressive statistical results. Perhaps the most effective way to measure the performance of the Camden County REACH program is to compare these statistics to caseload and performance projections generated by the New Jersey Department of Human Services. The following table makes these comparisons for the period from May 1, 1989 through September 30, 1990. The state projections are based on criteria generated by cumulative from other counties which have started REACH programs.

	State Performance Projections	Camden Performance	Percentage of State Projections
AFDC clients referred to REACH*	3,694	10,483	284 %
Participants accepted by REACH	2,401	6,597	275 %
Active participants	2,401	4,815**	201 %
Participants in an employment directed activity	864	2,386	276 %
Post-AFDC participants	900	1,511	168 %
Participants entering employment	N/A	1,188	

(* Camden's current AFDC population totals approximately 12,600 families.)

(** does not include 2,050 ongoing cases carried over from previous year)

> The State expected approximately 35% of active REACH participants to be involved in an employment directed activity (EDA), yet Camden County's program has achieved a ratio of approximately 50% active participants in an EDA.
>
> The State expected approximately 34% of AFDC clients to become REACH participants, yet approximately 55% of Camden's AFDC clients are REACH participants.

REACH Component Update:
The Camden County Board of Social Services

From an individual participant's perspective, the REACH process begins with the Camden County Board of Social Services (CCBSS). CCBSS is responsible for identifying REACH participants within its own, larger client flow. Since July 1, 1989, REACH has been a mandatory program for all new AFDC recipients except those which fall into any of 16 deferral categories. Essentially, deferral is based upon factors beyond the participant's control, such as extreme physical disability or extreme remoteness, which would inhibit his or her successful completion of REACH.

Currently, all new applicants for CCBSS services are assessed as to their potential inclusion in the REACH program. Eventually, all CCBSS clients will be similarly assessed during their regular status re-determination review by CCBSS.

After identifying REACH participants and beginning the REACH orientation process, CCBSS staff are then responsible for categorizing participants according to service and income eligibility within the REACH program. A participant's initial entry into the OMEGA and FAMIS computer systems used to track and manage all REACH participants also occurs through CCBSS.

REACH Component Update:
Case Management

The Case Management component, due to its unique design as an entity outside of the traditional welfare bureaucracy, is the most challenging aspect of the Camden County REACH program. Case Management staff represent the human link between individual participants and the entire REACH program. During the early stages of the REACH process, each participant is assigned a Case Manager who will guide and assist them through the entire program. Generally, the Case Manager acts on behalf of each participant as both a broker of the services available through REACH and as an advocate for the participant's interest among the other components of the program. The Case Management component has also developed positive relationships within its parent institution, Camden County College, and other institutions of higher learning, in particular Rutgers and Glassboro, to obtain additional resources for participants.

The relationship between a participant and his or her Case Manager is intended to be sincere, open and sustained. Together, each participant and Case Manager develop a employability profile which will serve as the participant's plan to negotiate successful completion of the REACH process, economic self-sufficiency. The participant's individual responsibilities and expectations, as well as those of the Case Manager, are documented and signed by both parties.

Having helped the participant formulate an appropriate course of action through the REACH program, the Case Manager is then responsible for facilitating and managing the participant's execution of this plan. If the participant ultimately fails to comply with the terms of the signed agreement of mutual responsibility, as a last resort and after consultation with the participation, the Case Manager is responsible for initiating the sanction process.

REACH Component Update:
The Division for Children

A major concern of the Camden County REACH plan was the provision of quality child care. Child care was conceived not only as a service to parents facilitating their participation in training or employment related activities, but also as a responsibility to assist in the early education, development and nurturing of participants' children. The State design seemed to place a premium on the rapid movement of AFDC parents from the welfare rolls without sufficient attention to the needs of AFDC children. Since the purpose of the REACH program and the Alliance is to reduce and eliminate the inter-generational nature of poverty, the Camden County REACH program called for an intensive effort to provide AFDC parents with a full range of informed options for their children. Camden County is one of only two counties in the State currently offering proactive child care counselling. At REACH, the Division for Children is responsible for assisting participants in their choice of appropriate quality child care. Division for Children services are offered at no charge to active REACH participants. Once a participant chooses his or her goal for economic self-sufficiency, the Division for Children helps in the selection of ongoing appropriate and affordable quality child care. Division for Children staff work closely with Case Managers in the provision of services for REACH participants. This working relationship is greatly enhanced by the collocation of the Division for Children staff at the REACH facility.

The Division for Children has been designated both by the Camden child care community as the Lead Child Care Agency (LCCA) and by the County as its official certifier for day care providers. These designations, along with collocation, facilitate vital child care activity in coordinating facilities and services both between REACH and the wider child care community and between the service components within REACH, especially Case Management.

A significant benefit of this program and organizational model can perhaps be seen most clearly in the kind of child care that REACH participants are choosing. Most counties have utilized approved child care homes, rather than registered Family Day Care homes or licensed child care centers to provide child care to REACH participants.

Camden County has taken the position that REACH participants should be offered clear choices with regards to child care options. As a result of aggressive counselling, the utilization of child care by Camden County REACH participants is in stark contrast to that found in the rest of the State. When offered the choice, Camden County REACH participants have strongly preferred registered Family Day Care and licensed, center-based care over approved child care homes.

The following chart quantifies these preferences with relation to Division for Children caseload.

Number of Children	May 1, 1989 - September 30, 1990
Care Secured	4,219
Parent had own care (no REACH funds)	2,762
Center-Based Care	760
Family Day Care	528
Approved Home Care (requests)	166
School-aged Child Care (SACC)	85

Expanded office space to hold all Division for Children staff and a lending library has been completed at the REACH facility. Further, a drop-in child care center at the REACH facility officially opened in June, 1990. This center is capable of providing care for infants and children up to eight years of age. The center has an ideal operating capacity of 60 children. Although currently funded and managed by the Division for Children an RFP is now being developed as a first step towards transferring these responsibilities to an outside provider.

REACH Component Update:
The Office of Employment and Training

One of the shortcomings found in welfare reform programs both throughout the State and across the country has been a tendency to place participants in low paying, non-career oriented jobs while simultaneously providing these participants with temporary medical and child care subsidies. Since their jobs do not offer any real long term opportunity, large numbers of these participants are forced to re-enter the welfare system once their temporary subsidies are discontinued. In an attempt to avoid repetition of this unfortunate scenario, the Camden County REACH program places heavy emphasis on preparing participants for and placing them in career oriented jobs which both reflect the participants' own interests and provide them with a living income, opportunities for advancement and fringe benefits that any parent would need to make in today's world.

The Office of Employment and Training works under the aegis of the federal Job Training Partnership Act (JTPA). Working closely with Case Managers, a relationship greatly enhanced by collocation, JTPA staff strive to recommend the most appropriate training and career path for each participant. The principle criterion shaping this recommendation is the participant's economic self-sufficiency through permanent, career oriented employment.

One JTPA service is unique to the Camden REACH program. As a first step toward employability, most participants are required to complete a five day Action for Career Employment (ACE) program. This program serves both as a motivational exercise to repare participants for more substantive and sustained instruction, and as an opportunity r participants to be further evaluated as to employability and interest. Some of the ACE classes are held at the REACH facility in a room recently completed for this purpose.

A further innovation along these same lines is the implementation of a new, expanded life-skills program. Like ACE, this unique training program will assist the significant numbers of REACH participants who might not yet be ready to derive maximum benefit from the more conventional education and training programs they have chosen to pursue. Twenty five participants have been scheduled to begin a four-week pilot training cycle on November 5, 1990.

Following the successful completion of ACE and or life-skills, participants are directed into either feeder programs or skills programs. Feeder programs are basically those which include non-vocational training and or education in preparation for more formal skills training. The feeder programs currently offered to REACH participants include General Equivalency Diploma (GED), English as a Second Language (ESL) and Adult Basic Education (ABE).

/ vo year college program is currently in place for qualified REACH participants through Camden County College. Although REACH funds cannot be used for tuition, support services may be provided to qualified participants.

Although REACH is currently unable to provide support services for participants entering a four year college program, participants entering the REACH program having completed a portion of a four year degree program or having transferred from a two year college to a four year college may receive up to 78 weeks of support services culminating in graduation or a work study situation.

Qualified REACH participants can now avail themselves of over 85 different skills classes offered by more than 22 different institutions.

REACH is currently contracting with four firms, CCBSS, Puerto Rican Unity for Progress, NJ Division of Employment Services and the YWCA of Camden County and Vicinity, to provide group job search resources for "job-ready" participants. The Camden Economic Development Corporation is being contracted to provide self-employment training for qualified REACH participants.

M importantly, during the period between May 1, 1989 through September 30, 1990, approximately 2,386 active participants entered into an employment directed activity. These activities are those which directly result in the participant being job-ready.

Chairman **Perkins**. Thank you, Mr. Maguire. We appreciate your testimony. We appreciate this entire panel's testimony, and at this time, we would like to turn to Congressman Andrews to extract any further information as he is inclined to do.

[Laughter.]

Mr. **Andrews**. That is a nice way of putting it. Ella, first of all, thank you for your testimony. I know you have several members of your staff with you today. It is nice to see some familiar faces that we worked with very closely in the county. And we are very proud of what you do everyday, as well as what is done in Burlington and Gloucester Counties. We think that the private industry council, ETC, modeled here in Southern New Jersey is one we can brag about, and take back to Washington to show something that works.

On page one of your statement, you talk about the people who depend on the programs under JTPA, and you say that they, referring to the participants, have each been caught in a web of bureaucratic administrative dogma, which has pervaded the operations aspect of JTPA. You know, I would be shocked by that language, being a great supporter of bureaucrats, but I wonder, if you were on this committee, and could change one mandate, or one administrative practice that is mandated upon you, what would it be? If we could go to the Secretary of Labor and say, stop doing this, and let us do this instead, in administering our program. What would that be?

Ms. **Cintron**. Give us the opportunity to be creative. Cut out some of the real lot, a lot of the legislative requirements that are necessary, and let us work within our community, based on what is necessary for the clients. Because, and the gentleman next to me just talked about this in reference to the vocational educational system, 48 percent of his applicants are dropouts. In Camden County, I had 24 percent dropouts. And if the dropouts cannot get a job, cannot go to school without a GED or high school diploma, it is very hard to get them jobs.

So, we need some of that to be changed, so that we can go back and modify some of the activities that we have to give them, that we do not have to keep them into a training component for so long, take such a long time.

Mr. **Andrews**. I appreciate that. Ms. Barclay, let me ask you a question that is sort of on the subject, but sort of off. You make a very compelling case for the need for us to rethink this program as it applies to mature workers, and what kind of working environment those individuals would be entered into.

A related proposal some of us are evaluating is whether or not the tax penalty that the Social Security system imposes upon senior citizens who wish to work should be repealed. I know you are aware of it, and I think a lot of the other individuals here today are aware of it, that senior citizens who want to go get a job as a library aide or a nursing home aide, or whatever, teacher's aide, are paying a tax rate which is higher than that paid by Donald Trump, or at least what he used to pay when he was still making money. That the effective tax rate for a senior citizen going to work is either 50 percent or 66.6 percent of income that is earned. Do you favor the repeal of that tax provision?

Ms. **Barclay**. Yes, I do, personally. I would hesitate to speak on behalf of NAOWES——

Mr. **Andrews**. Sure.

Ms. **Barclay**. [continuing] which is the group I represent, because they have not taken a position. But, it is interesting. The results of the Commonwealth Fund studies that were announced last month, say that if you repeal that tax, you are going to generate far more in revenue.

Mr. **Andrews**. That would be my intuition.

Ms. **Barclay**. And there is some data that supports that.

Mr. **Andrews**. That more people would go to work, and pay more tax dollars into the system. And the other benefit—we had a meeting this morning of our advisory council on senior citizen issues here in our district, and one of the points that came up is that there is something else missing besides the economics, and that is the sort of mentorship relationship that can develop between a younger person and a senior citizen working on the same job. That a younger person might develop better work habits, a better work ethic from having a chance to work around someone who is a senior citizen.

And our sort of consensus was that that should be repealed, but I wondered how it fit into your own analysis.

Mr. Bailey, you talk about, very persuasively, the need to be sure that we maintain the independence of the review function at the State council level in vocational education. You make reference to the funding, the amount of funding spent here, and the wide variety of programs. And you say, in my opinion, the massive size of the vocational education delivery system, the enormous amount of funding it receives, and the wide variety of its programs require a focus group, such as the State Council on Vocational Education for oversight.

How might we insure independence in that State oversight function? What should the oversight body look like, how should it be appointed, and how can we assure ourselves that the kind of political manipulation that you made reference to earlier would not happen? Not that any of us in New Jersey think that there ever could be political manipulation of anything at the State level.

[Laughter.]

Mr. **Bailey**. Okay, I think pretty much in the Carl Perkins Act in Section 113, there is a statement which says, to the effect, and I will just paraphrase, that the council, the State council, is not accountable or answerable to any individual or agency within State government. In other words, it provides for its independence, and basically, I think that just the application of that particular part of the law is sufficient.

But, as you know, and I would be real honest to say that I know of some cases where the councils have allowed their independence to be usurped. And I think that the one thing that you could do, probably, that has not been done in the past, is hold the councils accountable for their independence. And somehow, they either need to be frankly discharged, if they do not hang onto their independence, because that aspect of it is surely needed.

Mr. **Andrews**. So, I would take it that your suggestion is that we call upon more vigilant oversight by the Department of Labor?

That we have the legal tools, but we are not using them as well as we should?

Mr. **Bailey**. Yes, sir, that is exactly what I am suggesting.

Mr. **Andrews**. Okay. Finally, Mr. Maguire. Bill, I am going to do something that you did not do, because I am so impressed by what you have accomplished, and by what everyone involved with the REACH Program who works for you and with you has accomplished over the last 15 to 18 months, and I want to just read from page five of your appendix to your testimony about what has been accomplished due to the efforts of the volunteer board members of the Welfare Reform Program, the Camden Alliance, due to the dedicated people you have working with you, and due to the participants themselves, who have put forth their energy.

When one compares the projected performance for the Camden County, versus what you have accomplished, here are the statistics: 10,483 individuals have been referred to the REACH Program in the county. That is 284 percent more—I suppose that would be almost three times as many as were expected to be dealt with. There were 6,597 individuals accepted by the REACH Program, which is 275 percent of what was expected or anticipated.

As of the date of this report, there were 4,815 active participants, which is 201 percent—twice as much as what was anticipated. Participants in employment directed activity, that is, in job training, or some educational program designed to lead to a job, were 2,386, which is 276 percent of what was anticipated. And the most important two statistics, post-AFDC participants, meaning people who are beyond the AFDC welfare program, but still being benefitted in some way, 1,511, which is 168 percent. And the most important statistic, the participants entering employment, meaning people who were on welfare who are not anymore, as a result of what you have been able to do, 1188.

The reason I read that into the record, I think the most important aspect of this, is the blank in the next column, that there is no State projection, as to the number of people who are expected to graduate from welfare dependency to economic self-sufficiency. The fact that they do not even estimate how much can be done indicates to me that they are not focused on that kind of output oriented evaluation you talked about a few minutes ago.

It is almost as if the folks who put the REACH Program together, and I would venture to say the folks who put the Federal Jobs Welfare Reform Program together, get very uncomfortable when you start asking questions like, "Well, now, wait a minute. You spend tens of millions of dollars on this. How many people who used to be on welfare are not anymore? You know, how many people who were dependent are now working and paying taxes?" Lots of folks are uncomfortable answering those kinds of questions, I think because of something else you pointed out, which is that there is a lot of process oriented review.

I want to ask you to respond to one question. At the tail end of your testimony, it says that in this new law, we should review carefully the emphasis on benchmarks and competency levels, to insure that the cost related to their implementation can be justified by the employment outcomes generated.

Now, if I read that correctly, what you are really saying is that, if you work in one of these programs, and you do not produce, you are out of work. That those who are entrusted with the responsibility of moving people from welfare to work, if they do not get the job done, and do not have a good explanation as to why, they are out? Is that your concept?

Mr. **Maguire**. That was being directed on two levels. One, on the very, very general level. Programs like, whether it is JTPA, whether it is REACH, whether whatever it is going to be. And it is no secret. Things have changed quite dramatically. The cost of government is absolutely out of control. There are a lot of conditions that have to be met and so forth. I, as the years have gone by, am developing a philosophy, and this is another one that could cause an argument, you could probably do a whole lot more with less, if you do it properly. So, it is part of that type of thinking.

Second, I would think that we are ready to come to a point in time when programs are judged according to bottom lines and credibility. And whether that is a public agency that has been in existence for 35 years or a non-profit organization that has to go through that every year with entities, that kind of criteria should hold place.

But, in particular, what that was addressing, is that, within the system for JTPA, my whole comment about the process overall, there are a lot of turns and twists and ups and downs that the program administrators have to go through, and then actually pass onto their subcontractors, which is quite massive throughout this country, in terms of meeting certain types of criteria and so forth. And I was just simply asking the question whether or not these criteria are realistic, do they really make a difference in the bottom line towards getting things generated? Or are they more bureaucratic in terms that, if you do not want to answer the question about whether or not X number of people got employed as a result of the money you spent last year, I have a whole other series of things I can point to with charts, to show you we are really doing our job. So, I was just asking that question very generally.

Mr. **Andrews**. I think that is a great question to ask. And I guess I would like to see a redrafting of this law so that that is the question that is asked. And to those like your program that perform, you do better. You get more dollars and more resources and more flexibility with which to use those dollars.

Let me just close by asking you the question I asked Ella Cintron, which is, if you could repeal or alter or change one regulation that you work under in the REACH Program that is put upon you at the Federal level, what would it be?

Mr. **Maguire**. Congressman, that is incredibly difficult, and I was afraid that you might drop that on me, after you did it to Mrs. Cintron.

I think that, rather—I am becoming really good from hearings about not answering a question, and moving all around.

Mr. **Andrews**. Are you running for something?

[Laughter.]

Mr. **Maguire**. No, no. That is not a career goal of mine. I really believe, though, that it is impossible for program administrators to turn around and really single out any one particular issue, because they are all related, and they are all part of the same package. I would like to throw out again, I guess, the purpose of testifying today, and the pleasure in testifying today, that we really need to rethink from the very beginning, not simply—do not go onto something else next year. We really need to rethink where it fits, and how it is going to fit, because the world, as we all know, has changed rapidly, and it will continue to change rapidly.

And Mr. Norcross' comments in the beginning about what are you going to do with a Campbell Soup workforce and so forth. Changing these terms around, and changing one bit of administrative regulation over here and so forth, will only impact on this one bit over here. It will not do the job for us. And I am very concerned about the world that my son is going to come up into in the 21st Century, and what kind of choice, the decisions that we make today are definitely going to impact on him and his neighbors in a very, very short period of time.

Mr. **Andrews**. Thank you very much.

Chairman **Perkins**. Well, I would like to ask, first of all as a group, and probably more directed towards Ms. Cintron and Mr. Maguire, about the summer youth employment program. Now, to what extent do you think that should be continued, or do you think it should go more toward a full year-round program? Anyone can comment.

Mr. **Maguire**. The summer program has served its place for the last 10, 15 years now, and it does a rather effective job. Recently, the condition has come in about assisting the high school students who were having problems meeting, in New Jersey, these competency level exams, in terms of having to move to the next level. And through that program, we are able to provide some type of skills and instruction during the summer, to help them do well in high school. So, that is a great benefit.

It is pretty tough, in a 20 hour, 15 hour work week, for maybe 6 or 7 or 8 weeks, to learn any kind of real job skills. So, that is a real tough one and so forth. I am of the point of view that you might want to keep a summer program going, but as part of a larger annual youth package. You could probably get a lot more mileage, a lot more bang for your bucks, so to speak, in terms of that 6 or 8 week experience, if it was tied in to a year-round program.

For example, those students who come to that program in July or August, if they were part of a program from September on, or, after the program ended in August, get involved in a process or program all the way through, you could do it with relatively not that much of a larger increase in terms of the dollars being allocated. You could just stretch that rubber band a little bit and so forth, and have it work. So I am in favor of a youth program, if it is part of an overall youth strategy.

Standing alone by itself, you do get some benefits. There are some very, very successful projects across this country that do very well and depend on the summer program. But, as its own stand alone operation, does not seem to work.

Chairman **Perkins**. Anybody else?

Ms. **Cintron**. I agree with Mr. Maguire. And as I said in my speech, the summer program is necessary for the summer. Because, to put our youths in the streets in the summer with nothing to do, is really bad for us, especially in Camden County, because of the high population of the disadvantaged youth.

I agree that the full year program is something that we need, as long as it is tied into something else. That is, if the legislation does not require that participant to be out of the program within one year, if the participant can start at age 14, and keep him in the system until he graduates from high school, then we should have a year-round program.

Chairman **Perkins**. Well, let me ask about support services. I notice that Ms. Cintron, in her testimony, talked about some problems with transportation. I noticed you talked about support services in the REACH program. Are they sufficient?

Ms. **Cintron**. Never.

Chairman **Perkins**. Let us elaborate on that, please.

Mr. **Maguire**. That is a very difficult question to answer, because it is kind of a loaded question. They are never sufficient.

Mr. **Andrews**. That is why he asked it.

Chairman **Perkins**. That is my job.

Mr. **Maguire**. Okay, fair enough. They are never really sufficient. But, there is a resource base that currently exists that could be utilized, in my opinion, in quite a different manner. I am not really prepared to go through all the details about it, but, yes, certain things can be pushed up. And what happens in increasing resource bases, the simple problem is going to be, if we do and reshift our resources to bolster up employment opportunities for individuals on a national level and so forth, does that mean you drain from other sources?

In our particular county, if we were to shift our resources to employment and training activities, we would have to cut back on family support counseling or alcohol and drug abuse counseling, or whatever it had to be, that is not really doing anything. That is what normally, basically, happens.

The other thing that I was trying to point out is that there really needs to be a different look at counseling within these kind of programs, vocational counseling, etc. In the school system, you have to have certain certifications, certain levels of expertise, and experience, essentially, to go into it.

But, in these programs that we have here, and it is not just JTPA programs, but Department of Labor programs overall, and throughout other areas, the kind of criteria in terms of the type of individual you want to bring into the system, and the type of requirements put on them to actually do a certain type of a job is undefined. It is up in the air. And I think it causes a problem.

There are experts and organizations throughout this country doing an unbelievably excellent job in delivering services. What I am calling for is a case management model. Basically, a model that acts as a broker of these type of services. You do not try to do the job yourself. You try to connect with those organizations and those services that do a very, very effective job. And their role of a case manager, in this particular case, is to make sure the options are presented in a fair and equitable way, and that the service plan is implemented through a coordination of other entities.

We could take another billion dollars in supportive services.

Chairman **Perkins**. I understand. We are not talking about money. We are just talking about how you utilize what is there.

We were talking about support services. That interests me. In my area, let me tell you what happens. We have a lot of really poor, difficult to serve people. They do not have babysitters when they are trying to get to work. We live in rural areas. They have to have some sort of transportation to get there. We have a concentrated employment program, and without the stipend that we are able to offer them, we would be able to entice them to participate. And we find these things are necessary. What are your experiences in Camden?

Ms. **Cintron**. The transportation problem in Camden County, as I said before, is really bad for a person to get from one place to the other. What we do, if the person is a REACH welfare client, we can always connect with the REACH program. That is one of our resources. We also utilize all of the day care programs within Camden County for referrals. Our social service network in Camden is very good, you know, and we work with that.

As I said before, the stipend itself is not enough to pay the participant for what they really need. It is not enough to give them, to pay for child support, while they are finishing the course.

Chairman **Perkins**. Thank you very much. Ms. Barclay, you wanted to comment?

Ms. **Barclay**. I just wanted to comment on that briefly, because I am from a different State.

Chairman **Perkins**. Go for it. We are always interested in what Michigan has to say.

Ms. **Barclay**. What happens—I have noticed a great deal of variation even within our State, in terms of what the local PIC policy is, regarding supportive services. And so, that can be a problem. There are local areas, local SDAs, that have, in a decision to target resources towards retraining, because we are hemorrhaging in Michigan in terms of unemployment.

Chairman **Perkins**. Yes, you sure are.

Ms. **Barclay**. You know, you get to a point where they say, you cannot spend money on supportive services, and it is very much needed. We have the city of Detroit with one of the highest unemployment figures and highest welfare case loads in the Nation, right across from Oakland County, which is the second wealthiest county in the country. And that is where the jobs are. How do people get from here to there? And how do they get there if the local entity has gone around the national policy, and has said, we do not have enough dollars period. We are going to target towards retraining, not supportive services.

Chairman **Perkins**. Pretty difficult.

Ms. **Barclay**. And we need to do our job locally to get the message across.

Chairman **Perkins**. While I have the mike in front of you, let me ask you another question. You talk about a 15 to 30 percent set aside proposed for older workers to the States. Currently, the States retain 5 percent for administration, 3 percent for an older workers program, 6 percent for CINF grants for local areas, and 8 percent for education. Are you proposing eliminating these other set asides?

Ms. Barclay. In essence, yes. We are proposing to restructure JTPA into a youth title and an adult title. We are proposing a fundamental restructuring so that JTPA is prepared for the demographics of the 1990s, which it presently is not.

Chairman Perkins. Okay. Shafter, when we were talking about the Council that you are talking about, do you think that we are looking at the beginnings of a super-Council down the line, to perhaps coordinate many of the things from the JOBS program, vocational education, the JTPA, so we avoid some of the duplicitive effort that seems to mark so many of our Federal Government proceedings?

Mr. Bailey. Well, that is my impression of the way I read the amendments. And it would appear that a super-Council is what you are going to wind up with.

Chairman Perkins. Thank you very much, panelists. I appreciate your taking the time to be with us today.

Mr. Andrews. Thank you.

Chairman Perkins. Please go back from whence you came, and take our appreciation with you. And we would now like to call our third and last panel, Alan Harris, Deborah Reese, Elma Kane and Caryl Wagner.

We are pleased to have with us Alan Harris, President, Harris School of Business, Cherry Hill, New Jersey; Deborah Reese, CEO, The Work Group, Member, Camden County Private Industry Council, Pennsauken, New Jersey; Elma Kane, President, Kane Business Institute, Cherry Hill, New Jersey; and Caryl Wagner, Executive Director, Focus on Literacy, Laurel Springs, New Jersey.

And we would please ask the panelists to hold their testimony to five minutes. We will turn initially to Mr. Harris for his statement. Please proceed, Mr. Harris.

STATEMENT OF ALAN S. HARRIS, PRESIDENT, HARRIS SCHOOL OF BUSINESS, CHERRY HILL, NEW JERSEY

Mr. Harris. Thank you, Mr. Chairman, Congressman Andrews. The problem I would like to address is really more directed toward the Federal and State levels of the Department of Labor, regarding the coordination of the JTPA program with other funding programs such as the Pell program, under the Department of Education.

The problem that we now face was created by government, and ultimately, must be solved by government. I can understand how this problem came about. Coordinating programs of such a complex nature on a national scope, such as the JTPA program, and the Title IV student aid program, each with very complex regulations, is no small feat. But, between the Department of Labor, and the Department of Ed, if the right hand was not sure of what the left hand was doing, if the Department of Labor is the left hand in this respect, they were not even sure what their fingers were up to.

The structural design of the JTPA program, which allows each SDA to tailor the program to meet its local needs as one of its strengths, unfortunately, when put in conflict with a program such as Title IV, which is completely administrated at the Federal level, there were certain problems that began to arise.

When authority was given to local officials at the county level, to contractually dictate the terms and the use of the Department of Education's Pell program for their participants under JTPA, a program which is not their own, the Department of Ed's Pell program, and whose regulations they do not understand, the result has been disaster.

The same clarity has been perpetuated all the way down the chain of command of the Department of Labor, regarding the correct use of Pell in relation to JTPA funding. The U.S. Department of Labor had an unclear idea, which they passed on to the States, who got the wrong idea, which they, in turn, gave to the counties, who have no idea how the programs work.

The rule of thumb for the Department of Labor, or for the Department of Education on the use of its program, the Pell program, is very simple. The institution has a stated tuition cost and a stated refund policy to determine charges to the student in the case of a non-completion, and all of these are approved by the Department of Education.

These costs and refund policies are applied to every single student that applies and attends our institutions. It does not matter in the case where third party funding is involved to also be applied to the cost of that student's training whether that funding is coming from the 4-H Club scholarship, JTPA, or the local church, if the agreement frees the student from responsibility of the cost of their attendance at the school, then Pell must be removed from the equation calculating their cost of attendance at the school, and determining their award.

Under performance based contract, which is the contracting methodology that, really, this conflict centers around, a participant who is JTPA sponsored must complete the program, be placed in unsubsidized employment, and retain that employment for 13 weeks, in order for the institution to be paid in full. In the event that these terms are not fulfilled, the SDA withholds 30 percent of the tuition, hours not attended, benchmarks not fulfilled from the school, and the student cannot be charged for these costs.

Performance based contracts, by their definition, prohibit the student from being charged for an unpaid balance at the institution. Yet, under the terms of the contracts we are given from JTPA, the student must apply for a Pell grant as a prerequisite for their training. And if it is determined that that student is eligible for a Department of Education Pell grant entitlement, that award must be used to directly offset not the student's charges at the school, but JTPA's costs. And that Pell grant must be applied to JTPA's reimbursement cost, before any JTPA funds are committed.

If the Department of Education's guidelines are followed, there is essentially no Pell to apply to this training cost. The money must be disbursed directly to the student, because Education's position is that, if the student has no liability to the institution, then why are we applying for a grant to pay for it? The reduced Pell grant, therefore, must be disbursed directly to the student. Now, there has been vested interest on the part of the schools to violate Education's policy in this regard. Under the terms of a performance based contract, the schools would have received the same amount of money, exactly to the penney, whether we had complied with Ed's guidelines, or Labor's mistaken interpretation.

The only thing that changes is the mix of funding, and who it comes from, either Labor or Education. Although, I think it is important to note that, if we follow the State Department of Labor's interpretation of this, Pell funds supplant, rather than supplement, JTPA's funding, which is, in itself, a violation of the Department of Education's regulations.

And the Pell proceeds that are eligible to be disbursed to that student, rather than going directly to the student to pay for the associated costs of transportation, child care, are used to directly credit against the vouchers that JTPA has for reimbursement cost on that student's training.

Now, the schools are equally culpable in perpetuating this problem, in the respect that they were gullible enough to believe that the Department of Labor clearly understood the Pell program and its guidelines. And that, further, Labor would never require them to contractually violate the Department of Education's regulations. We, the proprietary schools, the county colleges, and the county vocational schools, who have entered into these contracts with JTPA, are about to pay for our naivete.

I have been told by State Department of Labor officials they would not, they have not issued any clear guidelines, because they are waiting for clarification from the U.S. Department of Labor to negotiate an exemption for their participants. Well, I have spoken to the director of Pell policy at the Department of Education, and found out that Labor has been requesting this exemption for about 5 years. And the Department of Education has no plans to make any special dispensations on Labor's behalf.

Under the regulations of the Department of Labor, all students at our schools must be treated exactly the same way, and have the same standards apply to them. It is only in cases such as under a restrictive contract, where the charges are not the same as for all other students attending our institution, that the Department of Labor puts restrictions on the Pell entitlement program.

Now, I have supplied much of this information to State and Federal departments of labor over the last year with little result. At first, I thought this was a simple misunderstanding, but I now believe it is possible there was willful obstruction on the part of the county and, in particular, State officials, in trying not to resolve this issue, because clarification had a substantial impact on their budgets, and did not work to their benefit.

The performance based contracts, themselves, were proposed as the carrot and stick method, to try and require institutions to perform. Although, if you check with any of the SDAs, you will find out that there has been no correlation between the increase in the performance withhold, and the increase in performance. It has turned out to be a mechanism to pass on the cuts in the JTPA funding program to losses of the institutions.

Now, this was pretty much confirmed to me 3 months ago, when, in the continued absence of clear guidelines from the State, I invited the heads of the four SDAs I worked with, and a State official whom I had been communicating with on this issue for almost a year, to come to a meeting where I could sit down and present them with all of the documentation that I had assembled, which you also have a copy of, and we could clarify this issue once and for all.

The official from the State declined, saying he would not care to attend such a meeting. And when I asked him why, since January they had in possession a clear guideline from the U.S. Department of Labor in the coordination of these funding programs, and they clearly understood how they worked together at this time, his response was, yes, we understand how they work together. We just do not like it.

It is my opinion whether the Department of Labor likes it or not is not germane to this issue. And they have exhibited either an extraordinary lack of courage in trying to resolve a problem that they helped create, or a deliberate attempt to bury a problem that they do not want to take responsibility for.

If the schools will be required to return Pell funds which were misused on behalf of JTPA participants, it will result in the bankruptcy and closure of potentially hundreds of educational institutions, certainly in New Jersey, and potentially nationwide. It will lead to the disruption of the educational progress of thousands of students. I am no attorney, but I believe it will certainly necessitate a class action lawsuit of monumental proportions against the Department of Labor for return of those funds from those hundreds or thousands of schools, and those millions of dollars that have been contractually misappropriated, in order to return them to the Department of Education Pell Fund.

And I have in my possession, as a matter of fact, a memorandum that recently went out to the heads of program review and audit for the Department of Education, outlining this problem as a clear program violation.

The situation which we now face is really the result of a complete lack of cooperation between all parties that are part of the process—the U.S. Department of Education, the U.S. Department of Labor, the Office of Inspector General from both Departments of Education and Labor, the State Department of Labor, the local SDAs, and the Title IV eligible JTPA lenders.

In our minds, JTPA has not met the goal of a true partnership between government, industry, and education, as the name applies. But it has created a mutually disrespectful and adversarial relationship between the schools and the SDAs that cannot help, that leads to less than desireable outcomes. At this point, a legislative solution has to be found. The full weight of the Department of Education is about to descend upon the schools, making them liable, financially, for a problem they did not create, and whose benefits they did not receive.

The internal administrative process of the governmental agencies, although they may have meant well, have proven wholly inadequate to coordinate their activities without legislative guidelines.

I only ask that, as part of that mandate in the future, the training institutions be included as true partners in this process. Because, when we look back in 9 years, when the millennia turns, it will ultimately be the readiness of the American workforce to meet the global challenges of the 21st Century that will stand as the measure of the JTPA program. Thank you.

[Additional material submitted by Alan S. Harris is being maintained in subcommittee files.]

[The prepared statement of Alan S. Harris follows:]

TESTIMONY

Before the Field Hearing on
Reauthorization of the
Job Training Partnership Act

June 17, 1991

Alan S. Harris
Director
Harris School of Business
Cherry Hill, NJ

I am the director of a small private proprietary school in New Jersey. The school was founded 26 years ago by my mother, Ethel S. Harris, after being widowed with three children, of which I am the youngest. Our mission has been to provide the highest quality secretarial and office support training available, to enable, primarily women, to enter the workforce with the skills to make them self sufficient. My sister, Barbara Harris-Milos, is the director of education. We are, essentially, a small family business and take a great deal of pride in our work.

We have worked with the JTPA program since its inception, as well as the CETA program that preceded it. For years our school has been recognized as one of the finest training providers in our area, as well as maintaining consistently high performance standards as JTPA vendors.

The issue I wish to address is directed less at the local SDA's than at the reauthorization of the JTPA Act and the state and federal levels of the Department of Labor. However, if the local SDA's were more considerate of the vendor training institutions with which they contract, and had more dialogue with them, this problem, and other problems may have been addressed much sooner.

The issue at hand is use of the U.S. Department of Education's Pell entitlement program and its coordination with funding under the JTPA program's various contracting methodologies.

It came to our attention that there was an apparent conflict between the Department of Labor's preferred method of contracting, Performance-Based Contracts, and use of Pell funds to contribute to off-setting JTPA reimbursement cost for their participants to the institution.

The use of Performance-Based contracts, by their very definition, leaves an unpaid balance at the institution in the case of non-completion or non-placement, for which the student cannot be liable. The Department of Labor states that if the vendor is paid in full when the contract requirements have not been fulfilled, a Performance-Based contract is not in effect.

The Department of Education's point of view is that where the "institution does not actually charge the student (either because it is prohibited from doing so under the JTPA contract, or for any other reason)," the Department of Education prohibits the institutions from including tuition and fees in the calculation determining the student's potential Pell award and further prohibits the use of any eligible Pell funds to pay for such tuition and fee charges.

Yet under the terms of Performance-Based contracts, institutions were contractually required to qualify students for Pell as a prerequisite for training. If it were determined that the student would be eligible to receive a Pell Grant, the institutions were required to apply the student's Pell award **first** to any training costs before JTPA's funds were committed.

It appeared to us that JTPA's requirement to apply Pell funds toward tuition and fees for their participants under Performance-Based Contracts, to offset their costs, was in conflict with the Department of Education's limitations on the use of Pell funds to pay for tuition and fees when the "school does not actually charge the student."

The Department of Education never "stated" in so many words that Performance-Based Contracts were an example of this limitation. It was inferred in their regulations.

This misunderstanding appears to have pervaded all levels of the Department of Labor: the U.S. Department of Labor, the New Jersey State Department of Labor, down to the local SDA's. It was also missed by a majority of educational vendors including, by the way, two-year community colleges and county vocational/technical schools, as well as private proprietary schools.

This is probably due to the complexity of the regulations, ambiguous language, and the lack of knowledge about the specifics of how their programs interact at the local level.

The training institutions never imagined that the Department of Labor would require them, contractually, to violate the policies of the Department of Education. Yet, this is exactly what has happened.

The institutions received absolutely no benefit from applying Pell funds according to the Department of Labor's guidelines. The institutions bore the expense of administrating the Pell program on the Department of Labor's behalf; yet, they alone will bear the liability for having done so.

It is important to mention that this is not a question of the Government as a whole spending more than they should have in funding a student, as in the oft-quoted "double-billing" scenario. As far as I can see, the dollar cost to the Federal Treasury would have been exactly the same by either interpretation. However, it does concern the "mix" of federal funds and which are applied and in what order.

The Department of Education would like the institutions to be paid in full according to the schools's approved refund policies. They want all students to be treated the same, and it is precisely in cases where they are not that the Department of Education puts limitations on the use of its funds for that student.

The beneficiary of the Department of Labor's interpretation was the Department of Labor. Over the past four years the Department of Labor has used the program eligibility of their Title IV vendors to funnel probably millions of dollars of what the Department of Education considers "ineligible disbursements" into their budget.

The real losers were the Department of Education (whose funds were over-awarded to offset JTPA's costs) and the students who, under the Department of Education's methodology, would have personally received their Pell award to pay for living expenses, travel, and other related costs.

The principal effect on the schools was primarily the hardship of dealing with the unfair, punitive, and arbitrary restrictions imposed by Performance-Based Contracts, in general.

As far as we know, the Department of Education issued their first definitive statement clearly identifying the use of Pell funds for tuition costs under "Performance-Based Contracts" as a program violation in May 1991. This information was not issued to the institutions; it was issued to the Audit and Program Review chiefs nationwide. It outlined the liabilities and fines to be assessed against institutions that had complied with the Department of Labor's mistaken interpretation of its policies since the inception of Performance-Based Contracts over the past four or five-year period.

A terrible injustice is about to be perpetrated by laying the blame for this fiasco at the feet of the schools.

If schools are required to return Pell funds that were misused on behalf of JTPA participants, it will result in the bankruptcy and closure of potentially hundreds of educational institutions (certainly in New Jersey, and most likely nation-wide); and it will lead to the disruption of the educational progress of thousands of students. I am no attorney, but I believe it will most certainly necessitate a class action lawsuit of monumental proportions by those hundreds of schools and those thousands of students against the Department of Labor for return of those hundreds of millions of dollars of contractually misappropriated Pell entitlements--in order to return them to the Department of Education.

Again, this problem goes far beyond the private, proprietary sector. I have confirmed that it also affects the two-year county colleges and county vocational/technical schools as well.

What is even more distressing is that the Department of Labor, particularly at the State level in New Jersey, has been aware of this problem for over one year, but it has not been in their interest to take a position and notify the local SDA's. They have encouraged the SDA's to continue to accept misappropriated Pell dollars by the omission of any clear statement. Their "foot-dragging" has allowed the vendor institutions to continue to unwittingly violate the Department of Education's policies, thereby putting those institutions in further jeopardy.

It is easy to understand why this is so. One local JTPA official told me that they depend upon the Pell Grant program to provide over 20% of their training budget.

What follows is a thumbnail chronology of my experience in trying to clarify this matter.

One other local school vendor has been fighting over this issue for five years with little result. It was her concerns that brought the matter to my attention almost a year-and-a-half ago. Her efforts to clarify the use of Pell grants for JTPA participants resulted in a meeting between local vendors, administrators from our local county SDA, and a high-ranking State Department of Labor official. The result of that meeting was that the state official, not clearly understanding the logic of our argument, listened to us--and came to the conclusion that our institutions might need to be reviewed by the State to ensure that we were not misapplying the Pell Grants and double-billing JTPA in order to recoup the Performance Withhold.

As a result of that unproductive meeting, I conducted hours of research and began speaking directly with the U.S. Department of Labor and U.S. Department of Education about these issues. They were most helpful, and I was able to begin getting a grip on the problem as well as, hopefully, to provide feedback to them about the local implementation of the policies they had written.

As a result of a conversation I later had with the New Jersey Department of Labor administrators, I mailed copies of all pertinent U.S. Department of Education regulations, along with a letter of clarification which I had requested from the Pell Policy Division of the Department of Education, which clearly stated how Pell funds were to be disbursed when the determination was made that students had no liability for their training. I requested a meeting with the state officials, but they declined. This took place in July of 1990.

At the same time, we were fortunate to find one local JTPA official willing to review the issues and examine the documentation. As a result of our research, we jointly came to the conclusion that a conflict did indeed exist, which was later confirmed by the county counsel. The contracts in Camden County were then frozen for seven months until a letter of clarification from the U.S. Department of Labor to the county counsel confirmed that the use of Performance-Based Contracts conflicted with the maximum use of Pell funds to offset JTPA's training costs. That letter was received on January 18, 1991.

The 1990-91 contracts in Camden County were then retroactively changed to conform to the requirements of both Federal agencies and were reissued in February of 1991. This was a courageous act on the part of Camden County JTPA officials, and I believe they should be commended for making a judgment call based on their best information with very little back-up from the state. Camden County JTPA demonstrated not only a desire to comply with their own regulations, but also to protect their Title IV vendors from becoming an audit exception to the Department of Education.

As a result of the written clarification provided to Camden County JTPA, I attempted again to set an appointment to meet with State Department of Labor officials. I had the opportunity to speak in person with a high-ranking state official during a JTPA function and was told that the problem only existed in Camden County and that the problem had been resolved.

Coincidentally, a week later I attended the annual convention of the state Private Career School Association. Based on my informal poll, I confirmed that, almost uniformly across the state, Performance-Based Contracts were being used in conjunction with Pell grants to offset JTPA's training costs. Clearly, this issue extended beyond Camden County.

During this entire time, I had been having phone conversations on this issue with officials at the highest levels of the U.S. Department of Labor and the Pell Division of the U.S. Department of Education. As a result of the increasing cry for clarification of this issue coming from SDA's around the country, the Department of Labor issued a request for comments on the "Clarification on the Use of Pell Funds in Coordination with JTPA Participants," in the January 1990 Federal Register.

I, along with many others, responded at length to this issuance-- which was itself ambiguous and misleading. This, along with the many conversations I have held, have led me to believe that lack of understanding about the local implementation of federal policies exists at the highest levels of the federal government. I sent copies of my response, containing a detailed analysis of several JTPA contract methodologies and their conflict with the Pell guidelines to the Department of Education, to the Department of Education Pell Division, local SDA officials, as well as the Department of Labor.

As far I am told, the U.S. Department of Labor is still formulating their position which they anticipate publishing within the next few months.

At about this time, in March of 1991, the Request for Proposal for 1991-92 JTPA contracts were being issued. In an effort to try and prevent us going into another year collectively mired in this unclarity, I tried to organize a meeting between the heads of the SDA's with whom I contract, including representatives from the State Department of Labor. The officials at Camden JTPA agreed to attend. When I called to invite the state official who we had originally met with in Camden almost a year earlier, and with whom I had maintained communication on this issue, he declined. He stated he would not care to attend such a meeting. When I asked why not, since the state was now aware of the application of the Department of Education's policies and their affect, he responded, "Yes, we understand it. We just don't like it."

In the absence of guidelines from the state, we reviewed the SDA's RFP's for the coming year. One contract in particular contained an Agreement on the Distribution of Financial Aid that specifically required my institution to use the Pell fund in a way that I had now confirmed was not permissible according to the Department of Education. I returned the agreement with a caveat that I could not sign it for the reason stated above.

When I called to ask how the SDA planned to resolve this issue, I was told that if I maintained the position I had stated in the agreement, the county would not be able to contract with my school for the coming year. When I asked "if the SDA planned to sanction my school for complying with Federal regulations and reward my competitors for unknowingly violating federal regulations on the SDA's behalf," I was told I would have to "refer that question to the county attorney."

I received notification on Tuesday, June 10, 1991, that this particular SDA has, indeed, not approved our contract for the coming 1991-92 academic year.

That brings us to today.

I agree that this whole issue may have arisen out of a basic misunderstanding between the two federal agencies over the coordination of their entitlement programs at the local level. But once knowledge was obtained of the nature of the problem, and the magnitude of its ramifications, the question of when ignorance becomes negligence and obstruction on the part of public officials must become a consideration.

In trying to clarify and resolve what is clearly a compliance issue for my institution, I have been confronted with the following obstacles:

- local, state, and federal bureaucracies justifying their budgets and protecting their "turf"-- compounding the "use-it-or-lose-it" mentality of a top-down, budget-driven system.
- Unresponsive public officials, who often appear more concerned with exercising their power, furthering their careers, or simply not "rocking the boat."
- The application of arbitrary performance goals, with no mechanism for arbitration of mitigating circumstances, always favoring the SDA at the expense of the vendor.
- A complete absence of the recognition that the institutions are one of the "Partners" in the program, and have a vested interest in its success; success that requires "dialogue" in order to be achieved.

The goals of the JTPA program are not only noble, but an economic necessity. Many studies have indicated that 70% of all jobs in the year 2000 will require some degree of post-secondary technical training. Who is better positioned to provide this skill training than private, public, and not-for-profit vocational training institutions?

This situation we now face is a result of the lack of cooperation between all parties that are part of the process: U.S. Department of Education, U.S. Department of Labor, OIG from both Departments of Education and Labor, State Department of Labor, the local SDA's, and the Title IV eligible JTPA vendors.

In our minds, JTPA has not met the goal of a true "partnership" between government, education and industry, as the name implies. It has created a mutually disrespectful and adversarial relationship between the schools and the SDA's that cannot help but lead to less than desirable outcomes.

As the JTPA program evaluates itself in this proceeding, applauding its successes, admitting to its shortcomings...without the participation of the other members that share in the process, it is truly the sound of one hand clapping.

SUMMARY

The central conflict that led to this issue arose out of a duplication of responsibility between two federal agencies and the question of which had greater authority. It is our opinion that the sole arbiter in this case should be the Department of Education.

As far I know, the Department of Labor has many prime responsibilities such as dealing with wage and labor regulations, unemployment insurance, enforcement of equal opportunity legislation. Included in their myriad of responsibilities is oversight of the JTPA program under the Division of Employment and Training.

On the other hand, the U.S. Department of Education's primary responsibility is to oversee, regulate, audit and review educational institutions regarding the application and use of federal funding.

By allowing, under the design of the JTPA Act, local municipalities to have flexibility to design contracts to meet the needs of their particular demographic area, there is an extraordinary diversity of contract language and stipulations. This ability to address local needs is part of the strength of the JTPA Program which should be encouraged.

However, it is a recipe for disaster when local contracting officers presume to stipulate how to handle funds which are not even their own! People from the lowest to the highest levels of responsibility within employment and training appear to have only a superficial understanding of the Title IV programs. And yet they felt confident to contractually dictate the distribution and application of the Pell Program--which has led us to this impasse.

The designed flexibility of the counties to tailor their contracts to fit their local needs runs in direct opposition to the totally inflexible, centralized nature of the student financial aid programs, whose regulation is the unique domain of the U.S. Department of Education.

I am thankful that Congressman Andrews has given me the opportunity to speak today. Even though JTPA participants make up only 25% of my school's population, as you can see, I have a sincere interest in the success of the program. I still believe that the system can work.

At this point, a legislative solution has to be found. The full weight of the Department of Education is about to descend upon the schools--making them liable for a problem they did not create, and whose benefits they did not receive. The internal administrative process of the governmental agencies, although they may have meant well, have proven wholly inadequate to coordinate their activities without legislative guidelines.

I ask only that as part of that mandate, in the future, the training institutions be included as true "Partners" in the process. When we look back in nine years as the millennia turns, ultimately it will be the readiness of the American workforce to meet the global challenges of the 21st century that will stand as the measure of the JTPA program.

Chairman **Perkins**. Thank you very much for your excellent testimony, Mr. Harris. At this time, we would like to turn to Deborah Reese, CEO, The Work Group, Member, Camden County Private Industry Council, Pennsauken, New Jersey.

STATEMENT OF DEBORAH REESE, CEO, THE WORK GROUP, MEMBER, CAMDEN COUNTY PRIVATE INDUSTRY COUNCIL, PENNSAUKEN, NEW JERSEY

Ms. **Reese**. Pennsauken, yes.

Chairman **Perkins**. I gave it my best shot.

Ms. **Reese**. Thank you. Thank you very much, Mr. Perkins. And thank you, Rob, for inviting me to be here. I am excited. I have never done anything like this before. And it is particularly exciting to meet someone who is the author of some legislation that I have worked with for a long time, the Carl Perkins Vocational Act.

Chairman **Perkins**. I would not quite say I am the author——

Ms. **Reese**. Certainly.

Chairman **Perkins**. [continuing] I did write the technical amendments to it. I did not write the whole thing.

Ms. **Reese**. But, it is exciting. It is exciting to put the name and the face together. In spite of the fact that I am vice-chair of our Camden County Private Industry Council, I am really wearing the hat today of the president and CEO of a non-profit, community-based organization that happens to be the largest State-funded provider of services to dropouts in New Jersey.

So, I really have limited my remarks very specifically to the current Job Training Partnership Act, and the constraints that I see that it places upon those of us who consider ourselves entrepreneurs in wanting to come to create solutions to extremely difficult problems. So, for that reason, my testimony is limited to those constraints under the system.

The Work Group is a non-profit education and training corporation that conducts training programs for hard-to-serve groups in Camden County, New Jersey. Currently, The Work Group operates two programs for our local JTPA, the New Jersey Youth Corps for unemployed high school dropouts—that is a program that is jointly funded with the New Jersey Department of Education—and the REACH Corps for welfare recipients. Both programs are funded by JTPA, with job specific performance based fixed unit price contracts—can you believe that name—with 30 percent hold backs based on 13 weeks retention at a job. Both programs primarily serve residents of Camden City, which is the poorest city of its size in the Nation and has an unemployment rate that is more than double that of Camden County, which was mentioned earlier.

Chairman **Perkins**. We are hitting about 18, 20 percent when you go my way, so I can relate to that.

Ms. **Reese**. Terrible. The Work Group was pleased, and I really am representing our organization here, I was pleased to be asked to submit comments on the current operation of the JTPA, because we do not feel that JTPA is achieving its intended purpose of serving the people most in need of training and employment in our society, specifically those with multiple barriers to employment like dropouts, and functionally illiterate welfare recipients.

The reports issued by the National Commission for Employment Policy, and by the JTPA Advisory Committee in particular, give an excellent analysis of the strengths and weaknesses of the current system, and should be utilized, I would hope, in the preparation of any proposed amendments to JTPA.

Now, I have outlined the specific problems that we have encountered as an agency, in dealing with JTPA. I am not talking, by the way, about our local staff who have been most cooperative. This really relates to all the configurations, apparently, of the legislation. Stuff that, even though I have been a PIC member for 8 years, I still do not understand.

Number one, JTPA performance standards and contracts. At-risk populations require extensive remedial education, social services, and supported work experience to equip them to succeed in educational programs, vocational training and employment. Current JTPA performance standards only consider full time employment as a successful outcome for JTPA trainees, and this is not a realistic short-term goal for hard-to-serve populations.

In other words, vocational training, college, and part-time employment are not considered successful outcomes for JTPA, for dropouts. Because of the narrow focus of these performance standards, JTPA contracts in our service area are job specific performance based fixed unit price contracts, and, as already has been mentioned with the 70 percent hold back, and so forth.

If instead, though, a trainee decides to go to college or additional vocational training, the organization not only loses its hold back, but is considered to actually have failed in meeting its job placement objectives. This method of contracting creates a severe hardship for organizations who educate and train the hard-to-serve, primarily community-based non-profit corporations. Hard-to-serve clients dropout of programs because of incarceration, pregnancy, relocation, or other serious family problems.

With funding dependent on successful performance and narrow outcomes, hiring staff becomes a yearly gamble on funds not yet received. The inherent risk in this funding often forces organizations to become finance driven. Frequently, this diverts the organization from meeting the true needs of the clients to be served, or forces the organizations to cream those trainees most likely to survive in a full-time occupational setting. Programs that wish to continue to serve those most at-risk find themselves in serious jeopardy.

The impact of this in New Jersey is that The Work Group is the only agency in the State that contracts with JTPA for its New Jersey Youth Corps Program. I am actually asked to be on panels to tell other community-based organizations how to get JTPA funding. And I usually start out and say, in our agency, JTPA is a four letter word. It really is the joke in our agency. It is a tragedy, and I say it in that context.

The National Commission for Employment Policy issued a report on the effects of JTPA performance standards on clients, services, and costs in 1988 and concluded that, "the standards can lead to unintended effects of reducing service to hard-to-serve groups, and decreasing the intensity of JTPA services."

The recommendation made by the General Accounting Office, by Franklin Frazier in May of—it should have been 1991, excuse me—to the Subcommittee on Employment Opportunities—to you folks—that JTPA target persons with multiple barriers to employment has considerable merit.

Number two, conflicting Pell Grant regulations. And certainly, Alan has already done justice to outlining the problems in this issue. However, as it has impacted on non-profits, I would like to continue reading this. Due to these conflicting regulations, our Private Industry Council decided that it had to set up a different policy, and set up a dual contracting system.

As a result, Pell-eligible institutions are given cost reimbursement contracts, whereas non-Pell-eligible organizations are given fixed unit price performance based contracts. Pell-eligible institutions include community colleges and the more established for-profit proprietary schools, who serve higher skill JTPA enrolles. Non-Pell-eligible institutions include the smaller trade schools, new training programs, and non-profits who serve the hard-to-serve populations.

This policy has the effect of giving preferential fiscal treatment to Pell eligible institutions. Non-profit organizations like ours that train the hardest to serve are given performance based contracts with all of the inherent risks that accompany them.

The result is that those of us serving high risk JTPA clients are also forced to operate under high risk funding contracts, while the larger, more traditional Pell eligible institutions who serve a lower risk clientele continue to function in a "protected status" under cost reimbursement contracts. This would appear to be contrary to the intent of the Job Training Partnership Act.

Number three, I want to address a matter that is very near and dear to me as an entrepreneur, non-profit, small business person, and that is the discriminatory treatment of non-profit organizations. Recent regulations issued by the United States Department of Labor permit for-profit contractors to retain excess program revenue without restriction on its use, while prohibiting such retention on the part of non-profits.

Prior to last year, both non-profits and for-profits, were allowed to keep any excess revenues they generated from fixed unit price, performance based contracts.

The recent change in regulations appears to have no logical basis, other than the misconceptions and stigmas associated with non-profit surpluses. Unlike for-profit organizations, non-profits are already governed by IRS rules which require excess funds of a 501(c)(3) corporation to be channeled back into the organization's exempt purpose, and used solely to support the mission of the corporation.

These new JTPA regulations are not only discriminatory to non-profits, but short-sighted as well. Working capital is necessary for any healthy corporation for managing cash flow, investing in research and development—there is no research and development funding at all—capitalizing assets, and shoring up organizational infrastructures.

These new regulations also serve to discourage non-profit organizations from experimentation and risk by removing fiscal incentives to train hard-to-serve groups.

And lastly, JTPA coordination agreements and support services. Current coordination agreements are merely regulatory sign-offs. JTPA vendors like ourselves sitting here at the table are on our own in creating the systemic linkages necessary to provide the comprehensive services required by clients with multiple barriers to employment.

It is often very difficult for a training vendor to understand the complexities and funding mechanisms of the various divisions and departments of the State and Federal Government.

It would be invaluable if that process were facilitated by representatives of government who could break down departmental boundaries, and who are committed to make government responsive to the needs of communities and people.

Amendments to the Job Training Partnership Act should include funding to actualize partnerships. JTPA support service funds are insufficient to provide the level of basic skills and ESL services needed for JTPA trainees. Recently published figures from California's welfare reform program mirror those of Camden County's, and reveal that over 50 percent of the adults enrolled in JTPA programs need substantial remediation in basic skills.

Amendments to the Job Training Partnership Act should include increased provision of remedial educational services. Thank you.

[The prepared statement of Deborah Reese follows:]

TESTIMONY PREPARED FOR:

Carl C. Perkins
Chairman, Subcommittee on
Employment Opportunities
Committee on Education and Labor
U.S. House of Representatives

Robert E. Andrews
Member of Congress
Committ3e on Education and Labor
U.S. House of Representatives

FROM:

Deborah Reese
President/CEO
The Work Group
3720 Marlton Pike
Pennsauken, NJ 08105

COMMENTS ON THE JOB TRAINING PARTNERSHIP ACT

AGENCY PROFILE

The Work Group, Inc. is a nonprofit education and training corporation that conducts training programs for hard to serve groups in Camden County, New Jersey.

Currently The Work Group operates two programs for our local JTPA: the New Jersey Youth Corps for unemployed high school dropouts (jointly funded with the NJ Department of Education) and the REACH Corps for welfare recipients.

Both programs are funded by JTPA with job specific, performance based, fixed unit price contracts with 30% holdbacks based on 13 weeks retention in a job.

Both programs primarily serve residents of Camden City, the poorest city of its size in the nation.

INTRODUCTION

The Work Group was pleased to be asked to submit comments on the current operation of the Job Training Partnership Act. We do not feel that JTPA is achieving its intended purpose of serving the people most in need of training and employment in our society, specifically those with multiple barriers to employment like dropouts and functionally illiterate welfare recipients.

The reports issued by The National Commission for Employment Policy and by the JTPA Advisory Committee give an excellent analysis of the strengths and weaknesses of the current JTPA system and should be utilized in the preparation of proposed amendments to JTPA.

PROBLEMS ENCOUNTERED

1. JTPA PERFORMANCE STANDARDS & CONTRACTS

At-risk populations require extensive remedial education, social services and supported work experience to equip them to succeed in educational programs, vocational training, and employment.

Current JTPA Performance Standards only consider full-time employment as a successful outcome for JTPA trainees, and this is not a realistic short-term goal for hard to serve populations. In other words, vocational training, college, and part-time employment are not considered successful outcomes for JTPA.

Because of the narrow focus of the JTPA Performance Standards, JTPA contracts in our Service Delivery Area (SDA) are job specific, performance based, fixed unit price contracts.

With these contracts, payment is based on tuition reimbursement of successfully completed intermediate steps (70%) with a training specific "holdback" (30%). Only when the client is placed in a full-time job and remains employed for a minimum of 13 weeks is the 30% reimbursed.

If, instead, a trainee decides to go to college, or additional vocational training, the organization not only loses its "holdback" but is considered to have failed in meeting its job placement objectives.

This method of contracting creates a severe hardship for organizations who educate and train the hard to serve, primarily community based non-profit corporations. Hard to serve clients dropout of programs because of incarceration, pregnancy, relocation, or other serious family problems. With funding dependent on successful performance and narrow outcomes, hiring staff becomes a yearly gamble on funds not yet received.

The inherent risk in this funding often forces organizations to become finance driven. Frequently this diverts the organization from meeting the true needs of the clients to be served or forces the organization to "cream" those trainees most likely to survive in a full-time occupational setting. Programs that wish to continue to serve those most at-risk find themselves in serious jeopardy.

The impact of this in New Jersey is that The Work Group is the only agency in the state that contracts with JTPA for its urban dropout program (the NJ Youth Corps Program).

The National Commission for Employment Policy issued a report on the Effects of JTPA Performance Standards on Clients, Services, and Costs in 1988 and concluded that "the standards can lead to unintended effects of reducing service to hard-to-serve groups and decreasing the intensity of JTPA services".

The recommendation made by the General Accounting Office (Franklin Frazier in May 1981) to the Subcommittee on Employment Opportunities, Committee on Education and Labor of the House of Representatives that JTPA target persons with multiple barriers to employment has considerable merit.

2. CONFLICTING PELL GRANT REGULATIONS

In 1991 due to the conflicting regulations between the U.S. Department of Education and the U.S. Department of Labor regarding the use of Pell Grants, our PIC made a decision that in order to maximize the use of Pell funds, it would develop a dual contracting system. As a result, Pell eligible institutions are given cost reimbursement contracts, whereas, non Pell eligible organizations are given fixed unit price, performance based contracts.

Pell eligible institutions include community colleges and the more established, for-profit proprietary schools who serve higher skill level JTPA enrollees. Non Pell eligible institutions include the smaller trade schools, new training programs, and non-profits who serve the hard to serve populations.

This policy has the effect of giving preferential fiscal treatment to Pell eligible institutions. Non-profit organizations like The Work Group that train the hardest to serve are given performance based fixed unit price contracts with all of the inherent risks that accompany such contracts.

The result is that those of us serving high risk JTPA clients are also forced to operate under high risk funding contracts while the larger, more traditional Pell eligible institutions who serve a lower risk clientele continue to function in a "protected status" under cost reimbursement contracts. This would appear to be contrary to the intent of the Job Training Partnership Act.

3. DISCRIMINATORY TREATMENT OF NON-PROFIT ORGANIZATIONS

Recent regulations issued by the US Department of Labor, permit for-profit contractors to retain excess program revenue without restriction on its use, while prohibiting such retention on the part of non-profits.

Prior to last year, both for-profits and not-profits were allowed to keep any excess revenues they generated from fixed unit price, performance based JTPA contracts.

The recent change in regulations appears to have no logical basis other than the misconceptions and stigmas associated with non-profit "surpluses". Unlike for-profit organizations, non-profit organizations are already governed by IRS rules which require excess funds of a 501 (c) 3 corporation to be channeled back into the organization exempt purpose and used solely to support the mission of the corporation.

These new JTPA regulations are not only discriminatory to non-profits, but short sighted as well. Working capital is necessary for any healthy corporation for managing cash flow, investing in research and development, capitalizing assets, and shoring up organizational infrastructures.

These new regulations also serve to discourage non-profit organizations from experimentation and risk by removing fiscal incentives to train hard to serve groups.

4. JTPA COORDINATION AGREEMENTS & SUPPORT SERVICES

Current coordination agreements are merely regulatory signoffs. JTPA vendors are on their own in creating the systemic linkages needed to provide the comprehensive services required by clients with multiple barriers to employment.

It is often very difficult for a training vendor to understand the complexities and funding mechanisms of the various divisions and departments of the state and federal government.

It would be invaluable if that process were facilitated by representatives of government who could break down departmental boundaries and who are committed to make government responsive to the needs of communities and people.

Amendments to the Job Training Partnership Act should include funding to actualize partnerships.

JTPA support service funds are insufficient to provide the level of basic skills and ESL services needed for JTPA trainees. Recently published figures from California's welfare reform program (GAIN) mirror those of Camden County's welfare reform program (REACH) and reveal that over 50% of the adults enrolled in JTPA programs need substantial remediation in basic skills.

Amendments to the Job Training Partnership Act should include increased provision of remedial educational services.

Chairman Perkins. Thank you very much, Ms. Reese. I appreciate your very good testimony today. And moving right along, we now have Elma Kane, President, Kane Business Institute, Cherry Hill, New Jersey. Ms. Kane, we would be pleased to listen to your words.

STATEMENT OF ELMA KANE, PRESIDENT, KANE BUSINESS INSTITUTE, CHERRY HILL, NEW JERSEY

Ms. Kane. Good afternoon, Mr. Chairman, Congressman Andrews. My name is Elma Kane. My husband Tom and I are the owners of Kane Business Institute, which is a proprietary school located in Cherry Hill, New Jersey. I have been involved in proprietary education in the South Jersey area for 20 years. I believe in proprietary schools. I know the difference that we have made in many students' lives.

I have a poster hanging in my school of a man on a mountain looking out on the horizon, and the caption is, "You see things as they are and ask, why? I dream of things that never were and ask why not?" I heard those words in a speech by Robert Kennedy before his death, and they have been an inspiration to me for many, many years. Why not be able to do something that I believe in with all my heart? Why not this girl, who grew up in a housing project on welfare in the City of Camden, own her own school? Why not my dream, and the dreams of all my students come true?

To be able to help educate individuals in the skills that would make them employable. To build their confidence and their self-worth. To enable them to get off the welfare roles, and out of the misery of being discriminated upon because they are poor. And to play a part in truly helping change their lives was my dream come true when Kane Business Institute opened in 1982.

In the fiscal year 1989–90, I trained 49 JTPA/REACH participants at my school with a 96 percent completion rate, and an 88 percent placement rate. I am very proud of those statistics. I wish, 9 years later, I could sit in front of you today, and say there is a happy ending to that dream, but that is not the case.

Before you today, you see a woman beaten down by the system. I have seen more disappointment in the government red tape and bureaucracy, at the local level, than I could have ever thought possible. I do not take this privilege lightly, and I am in hopes that the testimony I am about to give will aid you and your committee in seeing the JTPA through the eyes of someone who has had to deal with it on a day-to-day basis since 1982. My opinion is, the system has failed.

I would like to address the following problems, and although I deal with five problems in my written testimony, I only want to summarize three of them to make my testimony shorter today.

The first problem is the Private Industry Council. Proprietary schools do not have representation on the PIC, although the loan specifically states we should. The cause of this problem definitely comes from the local level's interpretation of the law. I have spent 8 years trying to get representation on the Council for proprietary schools. My pleas have fallen on deaf ears.

Ironically, in November of 1990, I was appointed to the Private Industry Council by a 7-0 bipartisan vote of the Board of Chosen Freeholders of Camden County and have not been allowed to take my seat on the PIC. Maybe after today there will be an answer forthcoming as to why, and someone in Camden County JTPA will be held accountable.

My second problem is the selection of service providers. In 1986, Kane Business Institute invested over $200,000 of our own money to open a branch campus in the City of Camden. This was a nationally accredited school, which requires degreed teachers, stringent financial requirements, curriculum oversight by both the State and Federal Department of Education, top notch facility and equipment, Pell Grant awards for students who qualify, a proven track record of past performance in both retention and placement, and a commitment to stay in the city.

Did Camden County JTPA recognize the above qualifications of our educational agency? Of course not. Instead, a contract was awarded "without competitive bid" of $225,000 to an organization that rented space in an office building, moved in when the contract was awarded, and was gone by the end of the contract. The cause of this problem is evident to me. The administrative entity found the loophole in the law that could decide who would be more effective and ignored the part of the law that states the qualifications necessary to be considered.

My third problem is the nature of the contracting. Every proprietary school or community-based organization that submits an SOQ receives a contract that is written from zero to X number of students. Records of past performance are not a factor.

I believe these contracts serve as an authorization only, giving the maximum ceiling of possible slots to be filled, but once again, leaves it to the discretion of the administrative entity as to whether we get any or all of the possible participants. I do not believe that this is a true contract.

It is my opinion that, once again, a case can be made for the lack of accountability on the part of the JTPA officials. I believe the net effect of this problem is that the Private Industry Council is not supervising the award of contracts. The contracts do not have to be filled at all. The JTPA office has the discretion as to who actually receives the funding.

In conclusion, Mr. Chairman, when the JTPA program was created in 1982, I believe the mind set was to destroy the inefficiency of the Federal bureaucracy, by allowing maximum flexibility at the local level. Unfortunately, all we have done is to allow the local bureaucrats to administer millions of Federal dollars as they see fit. And that cries out for waste, abuse, and mismanagement. If I am unemployed and looking for economic opportunity, and I must deal with a bureaucracy that is unresponsive to my needs and lacks expertise and accountability, then I do not care if that bureaucracy is on Constitution Avenue in Washington, DC, or Ferry Avenue in Camden, New Jersey—the system does not work.

Mr. Chairman, I started my testimony by telling you my dream. I then told you how I have been successful in fulfilling that dream. And now, I hope that I have shown you that this was done not because of the system, but in spite of it. You now have an opportunity to correct these errors, and make JTPA an efficient instrument of the goals set forth in the Federal legislation.

Create a minimum standard of expertise in the membership of the local PICs. Create a mechanism so that, when local SDAs deviate from the goals of the Federal legislation, people at the local level have a forum to be heard and the problems corrected.

And ask for an investigation of Camden County JTPA's procedures in its selection of service providers and awarding of training contracts.

Mr. Chairman, if you can show me that the system works, you will allow a woman that has come here today, beaten down by the system, leave here today with renewed faith in that same system. Thank you, Mr. Chairman.

[The prepared statement of Elma Kane follows:]

TESTIMONY

June 17, 1991

Elma Kane
Kane Business Institute
Cherry Hill, NJ

Good Afternoon Mr. Chairman

My name is Elma Kane. My husband Tom and I are the owners of Kane Business Institute which is a proprietary school located in Cherry Hill, N.J. I have been involved in proprietary education in the South Jersey area for twenty years. I believe in proprietary schools. I know the difference we have made in many students' lives.

I have a poster hanging in my school of a man on a mountain looking out on the horizon and the caption is "You see things as they are, and ask WHY?, but I dream of things that never were and ask WHY NOT?" I heard those words in a speech by Robert Kennedy before his death, and they have been an inspiration to me for many years.

Why not be able to do something I believe in with all my heart?

Why not, this girl who grew up in a housing project, on welfare, in the City of Camden owning her own school?

Why not - my dream and the dream of all my students come true? To be able to help educate individuals in the skills that would make them employable, to build their confidence and their self-worth to enable them to get off the welfare rolls and out of the misery of being discriminated upon because they are poor, and to play a part in truly helping change their lives was my dream come true when Kane Business Institute opened in 1982.

In the fiscal year 1989-90 I trained 49 JTPA/Reach students at my school with a 96% completion rate and an 88% placement rate. I'm proud of my track record and the goals I've achieved. Enclosed is documentation of those statistics and letters from students telling how their lives have changed because of the training at Kane Business Institute.

I wish nine years later, I could sit before you and say there is a happy ending to that dream, but that is not the case.

Before you today, you see a women "beaten down" by "the system". I have seen more disappointment in the government red tape and bureaucracy, at the local level, then I could have ever thought possible.

I do not take this privilege lightly and I am in hopes that the testimony that I am about to give will aid you and your committee in seeing the JTPA through the eyes of someone who has had to deal with it on a daily basis since 1982. My opinion is that THE SYSTEM HAS FAILED. I would like to address the following problems.

1st Problem: Pell Grants in relation to JTPA.

Problem: I submit to you documentation of correspondence dating back 5 years to 1986 between local and state JTPA officials and our school trying to make them understand they have no jurisdiction over the students' Pell awards.

No one would listen.

Cause: The cause of this problem is definitely the lack of expertise and accountability on the part of JTPA officials not understanding DOE Title IV regulations.

Impact:

1. Students eligible for Pell Grants have had their awards diverted to JTPA coffers.
2. The Title IV schools that deal with JTPA lost hundreds of thousands of dollars in tuition since we were forced to deduct the Pell Grant from JTPA portion of the tuition instead of the tuition cost.
3. In the future, now that we have been proven right and JTPA wrong, the local SDA could lose hundreds of thousands of training dollars coming into the county because the contracts are not written correctly.

Solution: At the local level, representation on the PIC by proprietary schools which deal with Department of Education Title IV funding. (We are the disbursing agents for Pell funds and have the expertise in that area.) I would like to commend one JTPA official, Ms. Kathy Mayfield. In the last year since her involvement in this problem, she went far beyond the call of duty to educate herself and try to find a solution to the problem.

Your committee now has an opportunity to look closely at this problem and find a legislative resolution to correct the wrong that has been done and insure it never happens in the future.

2nd Problem: - Private Industry Council

Problem: Proprietary schools do not have representation on the PIC. According to what I read in Pubic Law 97-300 dated October 13, 1982, establishment of the Private Industry Council Sec. 102(a): "There shall be a private industry council for every Service Delivery area established under section 101, to be selected in accordance with the sub-section
(1) representatives of the private sector.
(2) "representatives of educational agencies (representatives of all educational agencies in the service delivery area)

The law further defines Education Representatives as:

> *Education representatives on the council shall be selected from among individuals nominated by local educational agencies, vocational educational institutions, institutions of higher education, or general organization of such agencies or institutions, and by private and proprietary schools or general organizations of such schools within the service delivery area.*

Cause: The cause of this problem definitely comes from the local levels interpretation of the law I just read. I have been 8 years trying to get representation on the council. My pleas have fallen on deft ears. Once again, the lack of accountability and expertise in the federal law is evident.

Ironically, in November 1990 I was appointed (for the 2nd time) to the PIC by a 7-0 (bi-partisan) vote by the Board of Chosen Freeholders of Camden County and have not been allowed to take my seat on the PIC . Maybe after today there will be an answer forthcoming as to why and someone in Camden County JTPA will be held accountable.

Impact: The impact of this lack of representation means a loss of expertise that could have been available to PIC members especially in relation to Pell Grants.

Solution: While the law addresses these issues, there is no accountability on the local level and no mechanism for the law to be enforced when local officials are committing the **offenses. This is something that your committee may be able to address.**

3rd Problem: - **Selection of Service Providers**:

Problem: In 1986 Kane Business Institute invested over $200,000 of our own money to open a branch campus in the city of Camden. This was a nationally accredited school, which requires degreed teachers, stringent financial requirements, curriculum oversight by the State and Federal Department of Education, top notch facility and equipment, Pell Grant awards for students who qualify, a proven track record of past performance in retention and placement, and a commitment to stay in the city.

Did Camden County JTPA recognize the above qualifications of our educational agency? Of course not, instead a contract was awarded "without competitive bid" for $225.000.00 to an organization that rented space in an office building, moved in when the contract was awarded and was gone by the end of the contract. I believe the intent of the law in selecting agencies and organizations to deliver services within a service delivery area is:

1. Effectiveness of the agency or organization in delivering comparable or related services based on demonstrated performance.

2. Likelihood of meeting performance goals.

3. Cost

4. Quality of Training

5. Characteristics of participants

The law also states that funds provided under the act shall not be used to duplicate facilities or services available in the area unless it is demonstrated that alternative services or facilities would be more effective.

The law again states appropriate education agencies in the SDA shall be provided the opportunity to provide educational services unless the administrative entity demonstrates the alternative agencies or organizations would be more effective.

Cause: The cause of this problem is evident to me. The administrative entity found the loophole in the law that they could decide who would be more effective, and ignore the part of the law that states the qualifications necessary to be considered.

Impact:

1. The participants were denied the opportunity to choose the training institution that they wanted to attend.

2. Personal impact on my school being denied a full year of any JTPA participants in training was financially devastating.

3. I believe this is the tip of the iceberg, and the waste and mismanagement of federal dollars is yet to be known.

Solution: At the local level, an investigation of the procedures used by the local administrative entity of JTPA in the Selection of Service Providers.

Your committee may be able to look into the wording of the federal law and close some of the loopholes that allowed the local JTPA officials to contract federal dollars without competitive bidding.

4th Problem: - Nature of Contracting

Problem: Every proprietary school or community based organization who submits a (SOQ) Solicitation of Quotation receives a contract that is written from 0-X number of students. Record of past performance is not a factor.

I believe these "contracts" serve as an authorization only, giving the maximum ceiling of possible slots to be filled but once again leaves it to the discretion of the administrative entity as to whether we get any or all of the possible participants. I do not believe this is a true contract.

Cause: It is my opinion that once again a case can be made for the lack of accountability on the part of the JTPA officials, and lack of expertise on the part of PIC members.

Impact: I believe the net effect of this problem is that the Private Industry Council is not supervising the award of contracts. The contracts do not have to be filled at all. The J.T.P.A. office has the discretion as to who actually receives funding.

Solution: At the local level, the contracting of JTPA funding should be investigated. Programs such as the ACE program, which is a duplication of services, Entrepreneurship programs, in which the end result should be the participants actually starting their own business, training facilities located not only out of the local SDA area but in another state, which creates a hardship on the participants should be explored. A case of waste, abuse and mismanagement will surely be proven.

The SDA's & PICs should be made to follow the dictates of the U.S. Department of Labor in Training & Employment Information Notice No. 25.89 dated April 9, 1990. SUBJECT: Department of Education Pell Grants in Relations to JTPA funding Pg. 9 that states "This information is provided to the SDAs, PICs, and substate grantees so that applying for Pell Grants can be a prerequisite to qualifying for JTPA funding and so that participating schools can be requested to assist JTPA Applicants in completing Pell Grant Applications. This will save the local SDA's hundreds of thousands of dollars per year in training dollars.

5th Problem - Payment Procedures

It has been our experience that receipt of payments for services rendered has not been forth coming in a timely fashion. The procedure as it stands now is the following:

Academic and attendance benchmarks must be met every five weeks. We then submit a voucher for cost incurred for that period and **then the wait begins** with no anticipated or expected date to receive payment.

Cause: The cause of this problem again lies with the administrative entity of JTPA not being accountable for the proper payment procedures being implemented.

Impact: The untimely delay in payment has created undo financial hardships in paying the incurred expenses for teaching salaries, books, equipment and all other services that have been provided by the institution.

Solution: Until the mindset of the JTPA officials is changed and they are made to understand that these federal dollars are intended for a specific purpose, the goals of the JTPA program are being seriously hindered. Effective training cannot take place when schools are meant to endure serious financial burdens.

Technical assistance is needed on the local level and a mechanism in place to insure proper payment procedures are implemented.

Mr. Chairman, what we have seen here today is democracy at its best. Your distinguished sub-committee that usually sits in Washington is here today to see the day to day workings of the JTPA. It is here that federal dollars are being spent. We are the individuals that administrate or contract with the program to see that the opportunity is available to the socio-economic disadvantaged individuals within our county to get job training.

When the JTPA program was created in 1982, I believe the mindset was to destroy the inefficiency of the Federal Bureaucracy by allowing maximum flexibility at the local level. Unfortunately, all we have done is to allow the local bureaucrats, with minimal oversight, to administrate millions of federal dollars as they see fit, and that cries out for waste, abuse, and mismanagement. If I'm unemployed and looking for economic opportunity and I must deal with a bureaucracy that is unresponsive to my needs and lacks expertise and accountability, then I don't care if the bureaucracy is on Constitution Ave. in Washington D.C. or Ferry Ave. in Camden, N.J. - THE SYSTEM DOESN'T WORK.

Mr. Chairman, I started my testimony by telling you my dream. I then told you how I have been successful in fulfilling that dream, and now I have shown you that this was done not because of the system, but in spite of it.

You now have an opportunity to correct these errors and make JTPA an efficient instrument of the goals set forth in the federal legislation.

1. Create a minimum standard of expertise on membership of local PIC's.
2. Create a mechanism so that when local SDAs deviate from the goals of federal legislation, people at the local level have a forum to be heard and problems corrected.
3. Ask for an investigation of Camden County JTPA's procedures in their Selections of Service Providers and their awarding of training contracts.

Mr. Chairman, if you can show me that the system works you will allow a women who has come here today "beaten down" by the system, leave here today as a women with renewed faith in that same system.

Thank you Mr. Chairman.

KANE BUSINESS INSTITUTE
PLACEMENT STATISTICS
CAMDEN COUNTY EMPLOYMENT & TRAINING
JULY 1, 1989 -- JUNE 30, 1990

NUMBER OF STUDENTS	49	
DROPS	2	CARLA WILLIAMS ANN DOUGHTERY (CAR ACCIDENT)
MEDICAL LEAVE	1	HELEN DANIELS (CAR ACCIDENT)
	96% RETENTION	
NUMBER OF STUDENTS	46	
WAIVED PLACEMENT	4	
	42	
NOT PLACED	5	
	37	

88% PLACEMENT

[illegible]

[illegible]

Camden County Employment & Training

July 1, 1989 - June 30, 1990

STUDENT NAME	PROGRAM	START DATE	GRAD DATE	DROP DATE	PLACED
1.COTTMAN, [illegible]	COMP LIT	[illegible]	[illegible]	N/A	YES
2.HARRIS, R	COMP LIT	[illegible]	[illegible]	N/A	YES
3.PICKENS,	COMP LIT	[illegible]	[illegible]	[illegible]	[illegible]
4.BLEVINS, M	DATA/SEC	[illegible]	3/90	N/A	NO
5.GREEN, [illegible]	DATA/SEC	[illegible]	1/90	N/A	NO
6.ABDUL-MIJID T.	BUS DATA	[illegible]	2/90	N/A	YES
7.MOORE, D.	BUS DATA	[illegible]	2/90	N/A	YES
8.BROWN, C.	BUS DATA	[illegible]	2/90	N/A	YES
9.WILLIAMS, [illegible]	BUS DATA	[illegible]	N/A	[illegible]	N/A
10.YOUNG, M	DATA/SEC	[illegible]	5/90	N/A	YES
11.SHAW, C	BUS DATA	[illegible]	2/90	N/A	YES
12.MARTINEZ, R	COMP LIT	[illegible]	12/89	N/A	YES
13.SILVER, T	DATA/SEC	[illegible]	[illegible]	N/A	YES

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14.LEONARDO, L.	COMP LIT	9/25	12/89	N/A	YES	
15.PHILLIPS, M.	COMP LIT	9/25	12/89	N/A	YES	
16.RICCIUTI, L.	COMP LIT	9/25	12/89	N/A	YES	
17.SWALLA, C.	COMP LIT	9/25	12/89	N/A	YES	
18.TOROK, A.	COMP LIT	9/25	12/89	N/A	YES	
19.CARTER, S.	COMP LIT	9/25	12/89	N/A	YES	
20.EMERSON, J.	COMP LIT	9/25	12/89	N/A	YES	
21.TAYLOR, F.	BUS DATA	12/4	5/89	N/A	YES	
22.LORTON, P.	DATA/SEC	12/18	6/89	N/A	YES	
23.MARSHALL, D.	BUS DATA	1/22	6/89	N/A	YES	
24.PENNELL, S.	BUS DATA	1/22	6/89	N/A	YES	
25.ALEXANDER, S.	COMP LIT	2/19	5/90	N/A	YES	
26.SMITH, T.	DATA/SEC	2/19	N/A	4/30	YES	Employment not related to training
27.JAMES, P.	BUS DATA	2/19	[illegible]	N/A	YES	
28.MURRELL, H.	COMP LIT	2/19	5/90	N/A	YES	
29.HARLEY, L.	DATA/SEC	2/19	10/90	N/A	NO	Waived placement moved out of state
30.DANIELS, H.	DATA/SEC	2/26		10/90	N/A	Medical leave of absence-car accident

31.SOTO, P.	COMP LIT	1/26	[illegible]	N/A	[illegible]	
32.EVANS, L.	DATA/SEC	1/26	10/90	N/A	YES	
33.MARSHALL,M.	DATA/SEC	12/18	6/90	N/A	YES	
34.BULTER,S.	DATA/SEC	12/18	6/90	N/A	YES	
35.DOUGHTERY, A.	DATA/SEC	12/18	N/A	2/90	N/A	
36.THOMPSON, S.	DATA/SEC	12/18	6/90	N/A	YES	
37.JOHNSON, R.	DATA/SEC	12/18	6/90	N/A	YES	
38.SAILOR, P.	BUS DATA	1/22	6/90	N/A	NO	
39.BAKER, T.	DATA/SEC	1/26	10/90	N/A	NO	Waived further educatio
40.DEVOE, B	BUS DATA	4/30	9/90	N/A	YES	
41.KUPIDLOWSKI B	DATA/SEC	4/30	10/90	N/A	NO	Waived Pregnancy
42.CARRERO, D.	BUS DATA	4/30	9/90	N/A	YES	
43.ROSS, A.	DATA/SEC	4/30	12/90	N/A	YES	
44.MERCARDO, E.	DATA/SEC	4/30	10/90	N/A	YES	
45.GANTT,R.	DATA/SEC	4/30	4/91	N/A		
46.MITCHELL, M.	COMP LIT	5/1	10/90	N/A	YES	
47.CLARK, P.	COMP LIT	5/4	10/90	N/A	NO	Waived-medical

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48. CONZELEY, M	DHU DATA	1	10/90	N/A	YES
49. COTTON, M.	DHU DATA	1	10/90	N/A	YES

KANE BUSINESS INSTITUTE

I can't speak of all Business Institutes, I can only speak of one, Kane Business Institute. The family-like atmosphere puts everyone at ease while obtaining the skills needed in many of the secretarial and computer fields.

Kane helps those who can't afford to go to college, and those whose time is limited. After all, two, four, six, or eight years at a college or university is a lot of time and money. Many of my fellow classmates wouldn't be eligible for college, for the mere fact of not finishing high school. At Kane, these people are given the opportunity to survive in this "dog-eat-dog" world.

A crucial factor that we all, as students, benefit from are Kane's facilities. They have excellent computers and good typewriters in classrooms that are cool and comfortable. The teachers make the most complex assignments seem almost simple. From my experiences at Kane Business Institute, I would say that schools like this one should stay around for a long time.

Darlene Anzette Dorman
Student, Cherry Hill

November 20, 1985

Dear Administration and Faculty,

I would like to take this opportunity to extend my deepest appreciation to the members of administration and faculty of KBI. During my ten week term here at KBI it has been very rewarding and truly a pleasure to have met so many caring individuals. The studies that I have attained here will benefit me in the working world.

I would just like to say that this time has been the most educational ten weeks in my entire life. Thank you very much for your time and cooperation in helping me achieve so much.

Sincerely yours,

Sydney Chambliss

54 Winding Way
Cherry Hill, NJ 08002
March 12, 1990

To Whom It May Concern:

I am writing this letter because at one time I faced the same dilemma the workers of Campbell Soup Company face today. After 17 years working for Western Union I found myself unemployed because of economic conditions. I was angry, confused and disoriented.

After going through the necessary steps for obtaining funding for training, I set out to find the right school. I investigated many schools in the area, and decided on Kane Business School in Cherry Hill, NJ.

The experience of going back to school after so many years was a little scary, but the personnel at Kane were wonderful. The education I received was presented in an easy to comprehend form and has become invaluable to me. Their placement service upon completion of the course was helpful also. I found myself employed within a month.

I recommend Kane Business School highly to anyone who may be considering the Business/Computer Field for an education that will make a great difference in their future.

Sincerely,

Lynn Ricciuti

307 Bailey Avenue
Maple Shade, N.J. 08052
March 1, 1990

Mrs. Elma Kane
Kane Business Institute
206 Haddonfield Road
Cherry Hill, N.J. 08002

Dear Mrs. Kane:

As you know after working for Western Union for 18 years, I was laid off. I felt the need for further knowledge of computers and its programs in order to compete in todays job market. I decided to attend Kane Business Institute and take their course entitled Computer Literacy.

This course provided all of the current software packages used in business today. This was one of the most exciting courses I have ever attended. I felt I learned a great deal and enjoyed learning in the friendly and warm atmosphere of your school.

After completing the course, I began looking for a job with the help of Kane Business Institute. After less than a month I was employed. I am quite happy with my current job.

I wish to thank you and your staff again, for the current knowledge that I now possess.

Sincerely

Jo Anne Farmer

Jo Anne Farmer
307 Bailey Avenue
Maple Shade, N.J. 08052

Nielsen Marketing Research
a company of
The Dun & Bradstreet Corporation

220 Lake Drive East, Suite 100
Woodland Falls Corporate Park
Cherry Hill, NJ 08002-4612
609-482-1888
609-482-0212 FAX

March 6, 1990

Mrs. Kathleen Mahaney, Director
KANE BUSINESS INSTITUTE
206 Haddonfield Road
Cherry Hill, NJ 08002

Dear Mrs. Mahaney:

I just wanted to let you know how much I enjoyed the Computer Literacy Course at your school. After 18 years with Western Union, I knew I would have to brush up on my old skills, and learn the new software packages if I was going to get a decent job. I was leery of returning to school after being laid off, but your staff made be feel comfortable and encouraged me when I needed it most.

I am now employed at Nielsen Marketing Research in Cherry Hill as a Secretary/Word Processor. I was hired because of my typing skills, and my knowledge of WordPerfect and Lotus 1-2-3. I want to thank you and your staff for helping me get started in my new career.

Sincerely,

Kathy Brown

Kathy Brown

GORE-OVERGAARD BROADCASTING INC. 2775 MT. EPHRAIM AVE. CAMDEN, NJ 08104 (609) 962-8000
GREATER PHILADELPHIA'S MESSENGER OF THE CHRISTIAN FAITH

May 15, 1989

Mr. Melvin Spruill
211 Katherine Ave
Westville Grove, NJ 08093

Mrs. Thelma Kaine
c/o Kaine Business Institute
206 Haddonfield Road
Cherry Hill, NJ 08002

Dear Mrs. Kaine:

First of all let me take this time to thank you and your staff for your extensive and generous service to me while I was at your school for training.

It was because of the concern of your staff that I was able to complete the Business Data Processing course that your school offered to me and was able to complete with high marks... I must add that with all of my school training, this school has produced the highest marks that I have ever achieved.

Here at the radio station, where I am an announcer and work in the production room (recording), I have also been offered the generous (and delightful), task of programming the computer that have been installed here at this radio station.

It is because of the skills that I have learned from your school that have afforded me this wonderful task. This added task includes producing (via software) the radio logs as well as emplimenting the entire sales department records into this program.

Again thank you for your help and you can believe that I am spreading the word about the helpful professional staff of Kaine Business Institute.

Sincerely,

Mr. Melvin Spruill

wtmr
AM RADIO 800

October 27, 1989

Dear Mrs. Kane,

Thank you, so much, for allowing me to attend school free of charge during the last semester. I worked hard and am extremely proud of my "A" average in all classes.

I have nothing but praise for your staff. The teachers at Kane are articulate and professional. They put one hundred percent effort into their work and are determined to get the most from the students. I have learned alot and have been deeply affected by the feeling of kinship that pervades at Kane.

I will miss all of you and will keep in contact. Thanks again, friend, you have touched my life.

Sincerely,

Margie Jones

Margie Jones

257 S. 30th Street
Camden, NJ 08105
July 21, 1986

Kane Business Institute
206 Haddonfield Road
Cherry Hill, NJ 08003
Attn. Staff

Words cannot express my sincere gratitude for all that you have done for me. Thanks to people like you I now have established a entry-level position in the Accounts Payable and P oll department at Dupli-fax Corporation.

Kane Business Institute has a highly commendable reputation and it's because of people like yourself who take pride in their work and are concerned about the future of others.

Sincerely,

Eric Parr

COSTILL & PRIMAS
ATTORNEYS AT LAW
THE EXECUTIVE MEWS
1930 EAST MARLTON PIKE, SUITE K-57
CHERRY HILL, NJ 08003

LAWRENCE F. COSTILL, JR
THEODORE L. PRIMAS, SR.

(609) 751-0424

October 22, 1986

Mr. Harry Barracliff, Exec Dir.
CAMDEN COUNTY EMPLOYMENT &
TRAINING CENTER
Warwick Road & Longwood Drive
Stratford, New Jersey 08084

RE: Kane Business Institute
JTPA - PELL Grants

Dear Mr. Barracliff:

Please be advised that I represent Kane Business Institute, one of the proprietary schools within your Service Delivery Area.

As you know, Kane Business Institute, as of October 1, 1986, is left without a contract with your JTPA by reason of very important legal concerns the most important of which is the County's confiscation of PELL grant monies awarded to Kane's students. Specifically, I refer to Article 14 of the proposed Agreement. The first sentence with which we agree will prevent the County from being billed for designated funds already allocated by other agencies, to wit: no duplication of payments.

However, the second sentence singles out PELL grant recipients to "apply PELL payments to tuition, books and related training costs normally funded by the County." This sentence makes it appear that the County is averting duplication of payments as discussed above. But this is not so. The County provides only a portion of the cost of education. The Agreement provides in Article 3 and Attachment A the maximum amount that the County shall pay for tuition, application fee, books and supplies. The PELL grant, on the other hand, provides the student the "foundation" of financial aid to which aid from other Federal and non-Federal sources may be added. Such foundation aid includes transportation and living expenses.

But Article 14, last sentence, effectively cancelled out the entire PELL grant, including living expenses and transportation monies. The consequence of this provision threatens, if not guarantees, the inability of needy students to continue their education.

As you know, Kane has the responsibility of administering the PELL grants, and your Article 14 gives them only two alternatives:

COSTILL & PRIMAS
ATTORNEYS AT LAW

THE EXECUTIVE MEWS
1930 EAST MARLTON PIKE, SUITE K-57
CHERRY HILL, NJ 08003

LAWRENCE F. COSTILL, JR.
THEODORE L. PRIMAS, SR.

(609) 751-0424

November 19, 1986

Mrs. Mary Jane Meehan, Director
New Jersey Department of Labor
Division of Employment and Training
CN 055
Trenton, New Jersey 08625

RE: JTPA Directives NJD 6-84
NJD 6-84 (Revised)
NJD Letter: August 26, 1985

Dear Mrs. Meehan:

Please be advised that I represent Kane Business Institute, a private proprietary vocational school operating in the City of Camden and Cherry Hill in their quest to enter into a contract with the Camden County JTPA-SDA which is compatible with its responsibilities in administering the PELL grants received by its students.

In compliance with your Directive NJD 6-84 (Revised) we bring a concern to your attention which apparently cannot be worked out at the local level.

For the sake of clarity of our concerns I have appended a Memorandum for your review in hopes that the matters may be amicably resolved.

I thank you for your courtesies and respectfully request an early reply.

Very truly yours,

Theodore

Theodore L. Primas, Sr.

TLP: ps
Encl.
cc: Kane Business Institute

1. Cut their tuition and credit the student with PELL monies received.
2. Deny the student actual receipt of the PELL.

Neither alternative is acceptable as you may see.

Each of the proprietary institutions in your SDA and elsewhere has a contract with the County and each differs in many ways, including rates. There is no reason to prevent Kane and the County contracting to reflect the above concerns.

Kane is the only proprietary school in the highly-depressed City of Camden where the neediest students reside, and their plight should be recognized.

I strongly recommend that this matter be fully discussed with you and/or the County's legal counsel.

Very truly yours,

Theodore L. Primas, Sr.

TLP: ps
c: Kane Business Institute

MEMORANDUM

I. FACTS

The Camden County JPTA-SDA requires students who participate in the JTPA program to sign a Procedures For Trainees document which provides:

> Paragraph 7. You must apply for PELL grants, and notify the SDA if you receive one. The SDA will make arrangements with training institution to apply PELL payment to tuition, books and related training costs normally funded by yhe SDA. The SDA will then pay the training institution the difference, if any, between the actual training costs and the PELL.

In this regard the County has insisted upon the following language in its proposed contract with Kane Business Institute, the only accredited private, propriety school in the City of Camden, authorized to administer PELL funds:

> ARTICLE 14 - GRANTS AND OTHER FUNDING SERVICES
>
> In the event the Subrecipient is recipient of other Federal and/or State grants, awards, or monies, it is expressly understood and agreed that the Subrecipient will not bill or charge the County for services rendered, equipment and/or material purchased, and operating expesnes allowed, for which funds are provided by such other Federal and/or State funding sources. For PELL, the Subrecipient will apply PELL payment to tuition, books, and related training costs normally funded by the County. The County will then pay the Subrecipient the difference, if any, between the actual training costs and the PELL.

The County will not engage in a contract with Kane without Article 14.

Under a previous contract with the County Kane received JTPA students and processed the "cost of education" or "cost of attendance" package in applying for and receiving PELL grants. Part of the students' application is full disclosure to the student as to his funding capabilities, including JTPA participation. Many, if not most, were surprised that their PELL grants will not be realized to them for its intended purpose, even though it will be awarded and received in their account.

The school is responsible and must account for all PELL grants to the U.S. Department of Education, 34 CFR 690, et seq.

The N.J. Department of Labor issued two JTPA Directives concerning the PELL grants: NJD 6-84 and NJD 6-84 (Revised), and a subsequent letter of clarification of the same issue.

Directive NJD 6-84 distinguished the previous CETA program from the JTPA legislation as to allowance payment adjustments and provided:

> 4...Barring such restrictions regarding the PELL grant, and consistent with its terms and conditions, the SDA shall allow the JTPA participant to use this grant as a foundation for financial aid to which other federal and non-federal sources may be added.
>
> 5...The SDA shall ascertain that the JTPA participant who applies and is determined eligible receives the funds.

Directive NJD 6-84 (Revised) replaced NJD 6-84 and clarified the state policy and interpreted federal legislation on issues relating to the operation of the PELL Grant Program. Inter alia, it provided:

> 5...Since the educational institution determines the disbursement system used to award Pell Grants and the SDA determines how the JTPA funds are utilized within this system, the SDA should develop a written cooperative agreement with the educational institution. The agreement should include a description of how the Pell Grant Program will be utilized in the SDA to provide assistance to financially needy students interested in post secondary education or training.

II. ISSUE

ARE STUDENTS WHO PARTICIPATE IN THE COUNTY JTPA PROGRAM ENTITLED TO PELL GRANT FUNDS TO BE APPLIED TO ITS INTENDED PURPOSE, AFTER QUALIFYING FOR AND RECIEVING THE SAME, WITHOUT ANY SET-OFF BY THE COUNTY AGAINST JTPA TUITION GRANTS, WHERE OVERPAYMENTS OR OVERAWARDS ARE NOT FACTORS UNDER THE PELL GRANT PROGRAM AND THE NEW JERSEY DEPARTMENT OF LABOR DIRECTIVES?

III. DISCUSSION OF ISSUE

The JTPA participants in Camden County are entitled to their PELL grant funds to be used for its intended purpose,under the circumstances here, after qualifying for and receiving the same, without any set-off by the County against tuition grants, where overpayments or overawards are not factors under the PELL Grant Program and the N.J. Department of Labor Directives.

PELL grants are entitlements to participants and are determined by special criteria under the CFR, and schools administering the PELL are held strictly accountable for such funds. Federal Regulation provide:

> 34 CFR 690.71: An RDS institution of higher education shall enter into a program participation agreement with the secretary so that it may calculate and pay Pell grants to students.(emphasis mine)
>
> 34 CFR 690.95: An eligible student attending an SDA institution shall apply for and receive a Pell Grant
>
> 34 CFR 690.81 (c): The funds are held in trust by the educational institution for the intended student beneficiaries and may not be used or hypothecated for any other purpose.

There is little doubt that federal regulations intend that qualified students are entitled to their grants without any arbitrary set-offs.

Likewise, the N.J. Department of Labor JTPA Directives have clarified and followed the federal regulations. NJD 6-84 made it clear that "The SDA shall ascertain that the JTPA participant who applies and is determined eligible receives the (PELL) funds." NJD 6-84 (Revised) by way of further clarification provided for a "written cooperative agreement" between the SDA and the schools. This directive did not rescind nor alter the intent of NJD 6-84 such as to allow an SDA to nullify a qualified student's PELL grant but set forth a mechanism to resolve potential conflicts, which cooperative agreement must comport with the provisions of 34 CFR 690 et seq.

Camden County has argued that by decreasing its tuition award to the extent of the PELL grant will allow more students into the JTPA program. This is erroneous under the circumstances here. A reasonable view of the objectives of all the agencies, including the proprietary schools, is to successfully educate, train and place in the job market the maximum number of participants within the alloted budget. Under the requirements of the Camden County SDA plan for PELL participants, however, a built-in failure rate is assured by thwarting eligible students' capability to meet their financial needs in the total cost of education or attendance. The options left open to PELL students are to effectively give up their PELL funds to the County -- monies which are crucial to complete the training program-- or fail to meet the tuition requirement, the participants' first responsibility.

Paragraph 5 of the NJD Letter, dated August 26, 1985, is on point in this discussion and is practically dispositive of the issue raised here:

> 5. Question: ... If the participant requests the Pell award for living expenses, what effect does this have on the information contained in NJD 6-84 when it refers to the Pell as "foundation for financial aid to which other federal and non-federal sources may be added."
>
> Answer: As stated in the NJD 6-84 (Revised), since the educational institutional determines the disbursement system used to award Pell Grants and the SDA determines how the JTPA funds are utilized within the syatem, both parties should determine how the Pell award will be used in a written cooperative agreement. The participant's first responsibility is payment of tuition and fees. Once these expenses are paid (through JTPA funds or other resources), the participant should be allowed to use the Pell award to pay other living expenses related to attending the training institution.(Emphasis mine)

This language recognizes the responsibilities of both the school and the SDA under the CFR and NJD Directives as well as their duties to participants in the JTPA and PELL programs. Consequently, the issue raised here should be answered in the affirmative and a reasonable written comprehensive agreement should be constructed to reflect the same.

Theodore Primas

Theodore L. Primas, Sr.
Attorney for Kane Business Institutt

COSTILL & PRIMAS
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(609) 751-0424

December 26, 1986

Mrs. Elma Kane, President
KANE BUSINESS INSTITUTE
319 Cooper Street
CAmden, New Jersey 08103

RE: State Dep't of Labor Response

Dear Mrs. Kane:

Enclosed is a letter response from Mary Jane Meehan as regards our letter inquiry of November 19, 1986.

We may discuss its contents on December 29th after the shareholders meeting.

Very truly yours,

Theodore L. Primas, Sr.

TLP: ps
Encl.

STATE OF NEW JERSEY
DEPARTMENT OF LABOR
DIVISION OF EMPLOYMENT AND TRAINING
CN 055
TRENTON, NEW JERSEY 08625-0055

CHARLES SERRAINO
Commissioner

MARY JANE MEEHAN
Assistant Commissioner for Human Resources
(609) 292-5005

December 18, 1986

Theodore L. Primas, Sr., Esq.
The Executive Mews
1930 East Marlton Pike, Suite K-57
Cherry Hill, NJ 08003

Dear Mr. Primas:

With further reference to the matter of the use of Pell funds raised in your letter of November 19, 1986, I would like to share my conclusions with you.

In instances where an individual is eligible for training under JTPA and is simultaneously eligible for Pell benefits, the SDA, the school, and the trainee should be clear on who is to receive what benefits from which source. An SDA may, with the consent of the school and the individual, authorize training to begin with the understanding that Pell funds, when received, can be used to offset any JTPA funds previously authorized or expended.

Since the SDA has responsibility to assure that the trainee has the financial support to enable him to complete the course of training, the SDA may choose to provide him with needs-based payments from JTPA funds whether or not Pell funds are later received. In Camden County I believe the SDA does make such payments from JTPA funds to individuals who meet their criteria.

As cited, our Directive requires a cooperative agreement. The paragraph contained in the school's contract with Camden County is consistent with the Directive. It could, and perhaps should, have contained a further statement to make it clearer that in the event tuition, books and related training costs are fully met with Pell funds (including any needs-based payments advanced by the SDA) the trainee is entitled to any balances for his own use toward living expenses.

The statement that the Camden SDA requires the trainee to sign is also acceptable.

New Jersey Is An Equal Opportunity Employer

The alternative of having JTPA pay the tuition while all funds from Pell be turned over to the individual trainee seems not to be the best possible use of public funds

The other alternative, which is absence of a specific arrangement for how Pell funds are handled when received, is clearly inadvisable. It has in the past led to confusion, misunderstanding, and leaves the potential for dual payments for tuition.

I would be willing to discusss this matter with you if you wish. Please accept my apology for the delay in response to your inquiry.

Sincerely,

Mary Jane Meehan

Mary Jane Meehan
Assistant Commissioner for
Human Resources

Chairman **Perkins**. Thank you, Ms. Kane. We certainly do not want you to leave beaten down.

Ms. **Kane**. Renew my faith.

Chairman **Perkins**. We want to puff you right up, make you feel good when you leave today. We are going to give it a shot, too.

Ms. **Kane**. Okay.

Chairman **Perkins**. Last of all, we are going to turn to Ms. Caryl Mackin-Wagner, who is the Executive Director, Focus on Literacy, Laurel Springs, New Jersey. And Ms. Mackin-Wagner—Mrs. Mackin-Wagner, I guess——

Ms. **Mackin-Wagner**. That is all right. Caryl is fine.

Chairman **Perkins**. Caryl, informal, I like that. We are pleased to have you with us.

Ms. **Mackin-Wagner**. Thank you.

Chairman **Perkins**. We are looking forward to hearing what testimony you have for us.

STATEMENT OF CARYL MACKIN-WAGNER, EXECUTIVE DIRECTOR, FOCUS ON LITERACY, INC., LAUREL SPRINGS, NEW JERSEY.

Ms. **Mackin-Wagner**. Before I start, I just want to thank both of you for co-sponsoring my national legislation for National Literacy Day. This will be the sixth year, July 2, as National Literacy Day. And I just want to thank you, especially, since you have been co-sponsoring it all along. Mr Andrews, you have only had one year at it. We will expect it next year.

Chairman **Perkins**. I like that. Please proceed.

Ms. **Mackin-Wagner**. Thank you. I also hope that——

Mr. **Andrews**. She is allowed to say that.

Chairman **Perkins**. I agree.

Ms. **Mackin-Wagner**. I would hope so. I hope that you have a complete form of my testimony. For some reason, there are only three pages in the back—there should be six.

Mr. **Andrews**. We do have six.

Ms. **Mackin-Wagner**. Okay, good. All right. Focus on Literacy is dedicated to the teaching of adult illiterates, to better improve their opportunities. One major area of concern that needs to be addressed is work place literacy. More directly, for today's purposes, job training and placement.

Too often, low level readers are not even allowed the chance to work through programs like JTPA. They do not possess the basic skills necessary to file for assistance with JTPA, and some cannot even sign their own names. Yet, these individuals have a burning desire to work, to better themselves and their families.

In our program, the median age is 37.8 years, primarily white male, with an average of a ninth grade education, and a second grade reading level. They cannot fill out a job application, read warnings about machine guarding, read MSDS sheets, or material given to them about benefits, safety or payroll deductions.

As progress grows and technological advances continued to outstrip the basic American workforce, just where do employers expect to find employees capable of comprehending the work place, if so many cannot even read and write? In the United States, there are an estimated 27 to 35 million illiterate adults. Additionally, there are another 25 million low level readers. Of these 50 to 60 million people, many are faced with impending doom at their place of employment.

This certainly covers the JTPA workforce as well. They need to be competent enough to comprehend both written and verbal instruction. The need for an educationally improved workforce is everywhere you look in America, as we strive to compete with foreign markets. Their workers are better educated, more adaptable to a changing environment, and better able to cope at work and survive in the world.

What organizations such as Focus on Literacy can do, is provide needed support, education and assistance to the JTPA client who needs to improve or learn reading and writing. Additionally, some individuals who will not qualify for the JTPA training due to lack of basic skills can be retrained by JTPA, and taught by Focus on Literacy, Inc., and brought up to an acceptable standard of skills. What is needed to accomplish this is a partnership between Focus on Literacy and JTPA. Efforts in the past have not been successful in this area, principally due to the lack of direction and guidance.

Focus on Literacy, Inc. has always received a warm verbal welcome and acknowledgement. Unfortunately, caseworkers are burdened with many in need, and do not have the time to place illiterate or low level job seekers in a literacy program.

Perhaps a screening system could be utilized to identify these potential workers upon entry into the JTPA process. They could then immediately be directed toward agencies such as Focus on Literacy for immediate needs, and receive regular assistance in a one-to-one setting by using trained volunteers from the community.

A recent study shows that of 14,000 people in the Camden, Gloucester County area who were actively seeking work, 6,924 are from basic blue collar jobs. Another 5,459 are from clerical, service, sales and other. Based upon normal projections for illiterates within New Jersey, approximately 17 percent, or 2,105, of these two target groups will have low level basic skills.

According to a recent report issued by the Business Council for Effective Literacy, two-thirds of workers in construction firms today have skills below those needed on the job. In the past, construction work has relied heavily on young, male workers, and the pool of young people available for new hire continues to shrink. Today's workers need a broader range of skills than in the past. To fill this gap, employers will have to reach out more to minorities, older workers, and women. Yet many of these individuals lack the basic skills to even apply for the position. We are wasting these precious resources, these lives.

JTPA has taken the lead, and continues to do so by training and placing workers. Still, too many are unable to enter the system for lack of basic skills. And the businessperson, the economy, the consumer, and the country as a whole, are paying the price, and will continue to do so if action is not taken to integrate basic skills education with basic job training education.

An electrician cannot understand the grounding instructions on a pneumatic drill and receives a shock. A custodian cannot read the labels on the cleaning fluids, and is overcome by fumes. A master carpenter cannot read the two little tabs in the corner, and nails go into the wrong place, so the new windows cannot be opened or closed. A metal worker cannot measure properly, and cuts a quantity of material too short. In these instances, lack of basic skills costs productivity, quality of goods, and, perhaps, the life of the worker, and untold dollars. These are skilled, trained, competent employees at what they do. They just cannot read.

Please see to it that workers who come out of federally funded job programs can read and write. These are a basic survival skills, both on the job and off. It will enhance the self-esteem of the worker. It will reduce accidents to the worker. It will substantially increase the company's bottom line, and it will encourage other to seek the help. Thank you for your time.

[The prepared statement of Caryl Mackin-Wagner follows:]

... IS A MAJOR PROBLEM AND SHOULD BE CONSIDERED A HANDICAP. THE FACT THAT THERE ARE ILLITERATE INDIVIDUALS IN OUR SOCIETY IS A DISSERVICE TO ALL • ILLITERACY IS A MAJOR PROBLEM AND SHOULD BE CONSIDERED A HANDICAP THE FACT THAT THERE ARE ILLITERATE INDIVIDUALS IN OUR SOCIETY IS A D...

Focus On Literacy, Inc.

111

a free non-profit service for adults

P.O. BOX 504, Laurel Springs, New Jersey 08021

(609) 629 - 7989

Caryl Mackin Wagner
Executive Director

Focus On Literacy, Inc. is a State wide non-profit organization which teaches people to read and write free of charge. We accomplish this by utilizing ordinary volunteers whom we train in a variety of techniques. We are aware that not everyone comes to us with the same level of ability or learns the same way. We attempt to recognize that as a result of perceptual problems or a mild learning disability a person may have not have received the extra attention necessary to enable him/her to become productive and self reliant. The misconception that these types of individuals are uneducable is a stigma that needs to be dispelled. The emotions of being a failure that stems from inadequate basic skills need to be addressed. We try to instill high self esteem and confidence and make potential students realize there is no shame to being illiterate, the shame is in not doing something about it.

We network whenever and where ever possible with community groups, Social Service Agencies as well as correctional facilities. This way we are able to reach additional clientele who otherwise would not know of our free and private service. One of the biggest problems we encounter next to insufficient funding, is the lack of publicity. After all if people aren't aware that help is available then they aren't going to seek it. And unfortunately we can only reach these individuals by word of mouth as it is imperative they HEAR that they can receive help and that it exists. As an autonomous agency, we can reach some, but with the cooperation of others we can help many more.

In the past we initiated projects in welfare housing sites as we trained literate welfare recipients to work with illiterate welfare recipients. This kind of project takes the reality of the lack of transportation on the part of the client and makes it possible for him/her to still receive help. We've also provided similar programs for Corporations. We train either volunteers from the outside to work with illiterate employees, or we train literate employees to work with co-workers who need assistance. For our level of excellence, we are the recipients of the President's Volunteer Action Award citation and given credit for our work in the Congressional Record.

The burden of illiteracy rests with everyone as we share this deficiency in our society. For those who can not pull their own weight and make a contribution are draining all of us as illiteracy affects everyone, not just the individual. Illiteracy begets illiteracy, and this is a disservice to all. This is everyone's responsibility.

75% of the people incarcerated are illiterate. Therefore because they are unable to obtain employment, they turn to crime for a means to sustain themselves. Illiteracy takes its toll on all socieo-economic groups, ages, and races. What hampers our efforts is when an agency or a case worker is neglectful in referring a student candidate to us. Many times we hear it's too much trouble. This is a failure within the system to effectively and efficiently make use of what is there for the benefit of others. It is a disgrace not to take the 30 seconds to inform and educate someone that help is only a phone call away. Unlike so many bureaucracies, our help does not require reams of paperwork and therefore there is no valid excuse not to make referrals to us. Being literate impacts every facet and aspect of life.

Programs such as JTPA can easily interface with us. While letters and phone calls are made on our end offering our services, they are frequently ignored. We hear of programs being under staffed and under funded, yet when a helping hand is extended to relieve the pressure of work load it is ignorantly avoided. There is a lot of rhetoric regarding literacy funding, but from our experience it is all talk. Money is available for studies, which have been done over and over. These studies change nothing, they don't fix the illiteracy issue. Money is available for Commissions or for Newsletters, or to create more paper work that would entail programs like ourselves to have to hire someone just to keep up with the paper work. What good is that? There goes the extra funding in someones' paycheck instead of being used to improve the program, for advertising so we can educate more, provide books and train more. Focus On Literacy, Inc. has one employee who recruits, trains, handles correspondence, day to day activities, fundraisers, publicity, the Resource Center of low level high interest materials and matches volunteers and students. We operate on under $50,000. If anyone is under funded and under staffed, it's literacy programs. Our work is critical to getting people up to standards so we can channel them into high school equivalency classes, and job training. The Adult Night Schools begin on a 9th grade reading level and our work is the precursor for these folks being able to cope on the 9th grade level. To think our work isn't necessary or valuable is fool hardy. We're dealing with those who are afraid of failure, are embarrassed and are frustrated. Everyone is entitled to a free education and that's why we are here.

A few years ago, the ABC Broadcasting network launched an in depth study of the graduating teachers. This study revealed that the current graduates were from the lowest percentile of their class. This gives more credence to the saying that "those who can, do, and those who can't, teach." The unfortunate reality is that we are continually getting call from parents begging for our assistance for their school age children because they are not competent in reading and writing. These are our adult illiterates of the future.

Focus on Literacy Inc.

In N.J., the State administered a test to first year college students and discovered that less than 24% could read and write without any problem. And in another direction, only 32% showed ability in basic computation skills with only 13% could perform basic algebra.

The mistake here is throwing more money after bad. If our inexperienced volunteers can teach reading and writing, why should the system which has proven to be a failure be given more funds?

Our own students have publicly discussed on television the lack of service given to them by remedial classes which were supposedly designed to help improve their skills.

There is a lot of rhetoric about providing funds for literacy needs, except if the State of New Jersey is an example of the rest of the Country, then few States actually do provide money. New Jersey depends on the Federal Government for literacy funds.

There needs to be consideration of a reward system or penalty to require programs to provide assurance. We must know that every avenue of service is explored or at least given an opportunity to assist.

Our success is that of which we respect the wishes and goals of the clientele. We do not foist our opinions on the individual. We Have found when they realize the can achieve something, they come back and ask us to teach them more. Some have not only obtained employment, but have actually graduated from college too.

An interesting point to be made here is that it is our policy to try to get people to be proficient enough so they may be removed from public assistance. We've had an instance when an employed worker who was injured on the job was denied Social Security Disability Benefits based on the fact that he could do another job. However, he was illiterate which made it impossible for him to perform satisfactorily. Focus On Literacy, Inc. first proved his illiteracy to insure his benefits, then we matched him with a tutor for instruction, and now he is employable again.

We've had people who were unable to pass the military exams, who after our one to one tutoring was able to obtain their goals. Parents who were illiterate and wanted to set a good example for their children, were able to help the kids along. Individuals who were learning disabled or emotionally unstable or impaired were given the encouragement to learn. Kids in half way houses or vocational rehab were able to maintain jobs and become self sufficient.

All it takes is commitment, determination and time.

FOCUS ON LITERACY, Inc. is dedicated to the teaching of Adult illiterates to better improve their opportunities. One major area of concern that needs to be addressed is in workplace literacy, more directly for today's purposes, job training and placement. Too often, low level readers are not even allowed the chance to work through programs like JPTA. They don't possess the basic skills necessary to file for assistance with JPTA, as some can't even sign their own names.

Yet these individuals have a burning desire to work, to better themselves and their families. In our program, the median age is 37.8 years, primarily white male, with an average of a 9th grade education, and a 2nd grade reading level. They can't fill out a job application, read warnings about machine guarding, read MSDS sheets, or material given to them about benefits, safety, or payroll deductions.

As progress grows and technological advances continue to outstrip the basic American Workforce, just where do employers expect to find employees capable of comprehending the workplace if so many can't even read and write? In the United States, there are an estimated 27-35 million illiterate adults. Additionally, there are another 25 million low level readers. Of these 50-60 million people, many are faced with impending doom at their place of employment.

This certainly covers the JPTA workforce as well. They need to be competent enough to comprehend both written and verbal instruction. The need for an educationally improved workforce is everywhere you look in America as we strive to compete with foreign markets. Their workers are better educated, more adaptable to changing environment, and better able to cope at work and survive in the world.

What organizations such as FOCUS ON LITERACY, Inc. can do, is provide needed support, education, and assistance to the JPTA client who needs to improve or learn reading and writing. Additionally, some individuals who won't qualify for the JPTA training due to lack of basic skills, can be retained by JPTA and taught by FOCUS ON LITERACY, Inc. and brought up to an acceptable standard of skills. What is needed to accomplish this is a partnership between FOCUS ON LITERACY, Inc. and JPTA. Efforts in the past have not been successful in this area, principally due to lack of direction and guidance. FOCUS ON LITERACY, Inc. has always received a warm verbal welcome and acknowledgment. Unfortunately, caseworkers are burdened with many in need, and don't have time to place the illiterate or low level jobseeker in a literacy program.

Perhaps a screening system could be utilized to identify these potential workers upon entry into the JPTA process. They could then immediately be directed toward agencies such as FOCUS ON LITERACY, Inc. for immediate needs, and receive regular assistance in a one to one setting by using trained volunteers from the community.

A recent study shows that of 14,748 people in the Camden-Gloucester County area who were actively seeking work, 6,924 are from basic blue collar jobs. Another 5,459 are from clerical, service, sales, and other. Based upon "normal" projections for illiterates within New Jersey, approximately 17% or 2,105 of the two target groups will have low level or lack of basic skills.

According to a recent report issued by the Business Council for Effective Literacy, two-thirds of workers in construction firms today have skills below those needed on the job. In the past, construction work has relied heavily on young male workers, and the pool of young people available for new hire continues to shrink. Today's workers need a broader range of skills then in the past. To fill this gap, employers will have to reach out more to minorities, older workers, and women. Yet many of these individuals lack the basic skills to even apply for the position. We are wasting these precious resources, these lives.

JPTA has taken the lead and continues to do so in training and placement of workers. Still, too many people are unable to enter the system for lack of basis skills. And the businessperson, the economy, the consumer, and the country as a whole is paying the price, and will continue to do so if action isn't taken to integrate basic skills education with basic job training education.

An electrician can't understand the grounding instructions on a pneumatic drill and receives a shock; a custodian can't read the labels on the cleaning fluids and is overcome by fumes; a master carpenter can't read the two little tabs in the corner and nails go into the wrong place, so the new windows can't be opened or closed: a metal worker can't measure properly and cuts a quanity of material too short. In just these instances, lack of basic skills costs productivity, quality of goods, health and perhaps the life of the worker, and untold dollars. These are skilled, trained, competent employees at what they do, they just can't read.

Please, see that the workers who come out of Federally funded job programs can read and write. It is a basic survival skill, both on and off the job. It will enhance the self-esteem of the worker, it will reduce accidents to the worker, it will substantially increase the companys' bottom line, and it will encourage others to seek the help.

Chairman **Perkins**. Thank you very much, Caryl. We appreciate that. And you were under five minutes, too.

Ms. **Mackin-Wagner**. Well, wait, I have more.

[Laughter.]

Chairman **Perkins**. Well, with that, I am going to turn to Congressman Andrews, who I am sure wants to put forth some very brilliant questioning to you. So, please proceed, Congressman.

Mr. **Andrews**. I am going to have to read your questions, then?

[Laughter.]

Mr. **Andrews**. Let me thank everyone on the panel. What we try to do, and I thank Chairman Perkins for his and the staff's cooperation on this, and just say as an aside that, one of the most valuable lessons I have learned thus far in Washington is that the level of skill and motivation of the staffs, particularly the committee staffs, is really outstanding. And the people we have with us today from the Employment Opportunities Subcommittee do a great job throughout the year. We are very pleased to have them here in our district, and we thank them for the good job they do every day, but particularly today.

I was asked, I voted about 2 weeks ago in favor of the legislative appropriations bill, which gives money to Congress and related agencies, to meet our payroll and do the other things. And someone said, gee, you really should have voted against that, because it is an easy no vote, to come home and say you voted against bigger staffs, and more money for the staffs down there, and so forth. And it is kind of a fun thing to beat up on people who work in that area.

And I was able to say that I voted for that for a very specific reason, and that is that the people who do the work for us in the Congress are underpaid and overworked, with the exception of those on my staff.

[Laughter.]

Mr. **Andrews**. Are underpaid and overworked, and they do a terrific job. We are very thankful for the good work you did for us today.

What we tried to do in these panels was to set up in the first panel, a discussion of the problem that we are trying to solve, and that is a general economic slow down, and a general lack of growth in the country. Many of us think in New Jersey, in particular, that we are faced with an unemployment crisis.

We then tried to talk about ways from the perspective of government people, and study group people, that the JTPA law might be improved to help solve that problem.

And then, finally in this third panel, to hear from those who are involved in solving the problem, in giving people job skills, running schools and programs that attempt to do that.

And it occurs to me in listening to what we have heard today, that there are really two issues. The first one is, what should we be doing as a matter of national policy, to create more job opportunities? And that is a question that we are going to, hopefully, be debating in the weeks and months ahead, with a little more intensity than we have been doing thus far.

The second question, though, is given the evolution of job opportunities, or the generation of job opportunities, how can we be sure that the JTPA program is properly poised to move people from unemployment into those job opportunities? The second set of questions is, given those opportunities, how can we move people toward them.

And we have heard a number of problems sort of pointed out in this panel. I would like to focus, briefly, on one problem per witness, and ask you to respond.

Alan, it strikes me that your story that you tell is kind of a horror story of what happens when people who are acting in good faith and trying to give people job skills get caught in the middle of ambiguous laws and conflicting bureaucracies, and many other people, acting in good intentions that are moving in different directions.

Bill Maguire said something earlier in his testimony about his belief that the best way for us to simplify the program would be through the use of a case management model. And what I took him to mean by that is that, instead of one unfortunate unemployment person, JTPA participant, trying to figure out for himself or herself which agencies to go to and when, and which papers to file and when, that that individual would have a broker, would have someone whose job it would be to figure out within all of the different programs that are out there, Pell Grants and JTPA entitlements and what have you, that person's job would be to figure out how best to navigate that for the student, for the participant, place them in the right place.

Your testimony suggests that we ought to be trying to reconcile the difference that exists between the Department of Education and the Department of Labor. Do you think that one way we might do that would be to funnel more JTPA decisions through a case manager, who would have authority to sort that out on behalf of the participant? Is that a way that we could begin to address the problem that you have pointed out?

Mr. HARRIS. In regard to, specifically, the coordination of the different funding programs, I do not know if that is necessarily a solution, because certainly, for those of us who are in the business of running schools, we get regulatory changes for the Title IV programs almost monthly from the Department of Education. And I think it would be very difficult for one person to really develop the expertise to sit astride a number of governmental agencies, whether they be Health and Human Services, Welfare, Department of Labor, Department of Education. I do not think it is possible for one person to really have or develop the expertise to oversee the coordination of all of those programs that way.

Mr. ANDREWS. Let me put the question a slightly different way, and I do think that would be very difficult, if not impossible, to do. I suppose that the reason for this conflict in regulations between Pell Grants and JTPA funding is a good one, a valid one. And that is, that we are trying to avoid redundancy, spending money from both sources on one person.

It has not worked out to accomplish that goal, but that, I suppose, was the reason. Would it not make better sense to say to a case manager that, in effect, your client, your participant, has X number of dollars to spend. And your goal is to get that person trained and placed and motivated into the job market.

Now, you can draw upon the bank of Pell Grant money, or you can draw upon the bank of JTPA entitlement money, but let that broker, in effect, deal from a bank account set up on behalf of that one participant, rather than have the school, the participant, the government agency, everyone else tangled up with this morass. Does it not make better sense to almost open up like an IRA, except we call it an individual training account, an ITA, that would combine the best elements of Pell and JTPA, and guaranteed student loans, and all the other things we have. Does that make sense to you?

Mr. **Harris**. I would have to think about that. I know that the Department of Education currently is approaching the whole question of reauthorization, and I am sure that all of these questions are going to be thrown into the mix as, you know, how do we respond to some of these specific questions. I really do not know the answer. And quite frankly, I do not know whether that would be a solution.

It really depends on the level of commitment that the Federal Government is really willing to place on the value of an educated and motivated workforce.

Mr. **Andrews**. Well, that is a pessimistic thought.

[Laughter.]

Mr. **Andrews**. To be partisan, but, maybe if we put a big sign over the unemployment office that said, Savings & Loan Institute, they might pay some attention to it.

Mrs. Kane, let me ask you a question. Your testimony speaks to the need to think about some structural reforms in the way private industry councils are put together, and selected and governed. The model here is that the Private Industry Council will effectively have control over the way funds are spent in the program.

How might you suggest that we improve the way the law creates those councils? How might we make those councils more responsive in a way that you would like to make them responsive?

Ms. **Kane**. I, to be honest with you, Congressman Andrews, my problem is not with the law and the Private Industry Council. I think that the way the law, the JTPA law, addresses the Private Industry Council is very clear and very concise. It states, you know, there are two factors. You have your individuals that should be coming from the private sector, and the individuals coming from the educational sector.

And they have taken the time out in that law to break down the educational sector, and say what is meant by educational representatives, and state that all education represents—all educational agencies should be represented. And they name them.

The problem as I see it comes within the local level of the Private Industry Council, where, in fact, the individuals that are chosen to sit on the council—of course, we do not have representation, which I think is a total misrepresentation of the law.

The point, and this goes with what you had asked Alan, too—I want to digress. I have here a Training Information Notice, and this is related right to the Pell Grant issue. This was from the Department of Labor.

Mr. **Andrews**. What kind of report?

Ms. **Kane**. It is called a TIN report, a training information notice. And it is a directive, right from the Department of Labor, that should be disseminated from the SDAs to the local PICs. If this piece of information that I have in my hand had ever gotten to the Private Industry Council, then their understanding of the Pell Grants in relation to the JTPA is all written out here by their own Department of Labor, and there would not have been the problem that we had in last year's contracts.

Mr. **Andrews**. Is that from the State Department of Labor, or the Federal?

Ms. **Kane**. This is from the Federal Department of Labor to the State Department of Labor. And for example, when it says, in relation to the Pell Grants, the information is provided to the local SDAs and PICs and sub-state grantees, so that applying for Pell Grants can be a prerequisite for qualifying for JTPA funding. The Federal Department of Labor is telling us, this is the law, this is where it is at between Labor and Education. Follow it, and do what you have to do.

I do not believe that our Private Industry Council has ever gotten a copy of that. And if that is true, that is a shame. That is a real honest to God shame. So, I do not see a problem with the Federal law the way that it is written for private industry councils. I see the local interpretation of that law, and what they think that they can do, and what they cannot do.

Mr. **Andrews**. Thank you, Mrs. Kane. Debbie Reese, one of the points that you make is the need for support services around the basic employment training—child care, medical care, transportation, etc. I know that your agency has been quite successful in putting that together, but I suspect, I have been to your graduations, and I have heard the success stories and met the people. I suspect that the reason you have been successful is almost in spite of the way the law is structured now, not because of it. That it is an ad hoc process to get the other services in, so your participant can take advantage of them.

What could we do in the law that would give you more of an opportunity to provide that whole network of support services to a participant that we are not doing right now? How can this law be improved to do that?

Ms. **Reese**. One of the things that is happening—I talked about still being on a performance based contract. One of the things that we are in the process of negotiating right now with our local employment and training center office is a joint contract with the State Department of Education, so that the JTPA is picking up all training related expenses, and no administrative expenses. Those will be picked up by the Department of Education.

If we can move to some of those kinds of ways of contracting, so that we are still very performance driven—and, I think we should be. I think that is the good thing in the JTPA system, compared to other systems. But I think that if we can move to that kind of contracting, it really frees up a lot of the pressure that is on us as a local provider to do these kinds of things.

I have to say in fairness to the way the current JTPA system is right now, with performance based contracting, you actually have fewer restraints on social services than you would with other kinds, with a line item, you know, cost reimbursement budget. In that regard, I have much more flexibility with what I do.

The problem has been, and that was why I was making my pitch as a non-profit entrepreneur, is that the way the contracting system has been set up so far, the constraints are so major, that it is very difficult to be creative. You are spending all your time dealing with very burdensome regulations, and very burdensome contracts. I never got a contract for 11 months. I operated—can you believe this—on good faith. If I were not on the PIC, I mean, my board of directors was dying. I was operating for 11 months without a contract, because the contract had gotten this thick—it has gotten this complicated.

So, those are the kinds of things that government can do, Rob. There is no reason under the sun why, at your level and at the State level, things cannot be simplified. That is at least what I hear from the folks at the State level, as well.

Mr. **Andrews**. The Work Group has, what, I would guess, five or six full time employees?

Ms. **Reese**. Oh, no. I have 26 people now.

Mr. **Andrews**. Okay. Well, you have grown and been more successful. What percentage of time does your staff spend on administrative work, versus the amount of time, the percentage of time you spend on dealing with the participants?

Ms. **Reese**. If you knew the amount of time that I have spent with my director of administration in the last 6 weeks. I just collapsed for 4 days, because we have worked—I have done about 20 different budgets for JTPA, just to survive. Because, one minute, it is one thing, the next minute, it is another thing. That is full time for the last 2 months, when I was also in the middle of program planning.

What I have tried to do is protect my program staff from this kind of stuff as much as I possibly can. But, I have one gal who is a job developer, who spends about half of her time just monitoring all the fiscal stuff around the benchmarks, these intermediate steps, to get people through the program. And that is what I meant. I was really criticizing myself when I said I was becoming finance driven. And you almost are mad if the kid wants to go to vocational school. Because, how dare they? They are messing up my finances, I will not balance my budget. I mean, it is crazy—the kid wants to go to college.

Mr. **Andrews**. So, in effect, your performance report is going to look worse, so you are going to be penalized if one of your—let us assume one of your graduates says, you know, I like what I did. I want to go to Gloucester County College, and get into a medical technology program. I am going to work part time at K-Mart while I do that. That is a failure, according to the——

Ms. **Reese**. That is a failure.

Mr. **Andrews**. [continuing] way the present regulations are set up.

Ms. **Reese**. And it is also a physical failure. And I am evaluated against other, I am evaluated against welding schools, and secretarial schools. And they say, gee, how come her placement is not as high as theirs? So, it sets up a whole—my staff is very productive.

And it sets you up with a whole mentality of failure, which is not part of getting together and solving the problem.

Mr. **Andrews**. One of the issues that a lot of us have been talking about, both in this law and in the Higher Education Reauthorization Act, is what we might call degree of difficulty factor. And that is that all of us want to see output performance based standards to separate the good from the bad, and the regulated from the less regulated. But, we want to be very sure that those standards are based upon a fair evaluation.

And the way I always think about it is that it is a lot easier to train and place someone who is a 35 year old employee who may have lost a job at General Electric, than it is someone who is an 18 year old unwed mother, without a high school diploma. Not to say it is easy to place the 35 year old, but the likelihood is a lot higher that man or woman is going to go on and do something.

We do not want to see a situation where you are evaluated on the same scale, and because you only place 60 percent of the unwed mothers, you are compared to somebody who placed 98 percent of the 35 year old GE workers, because they are a different set of problems, and a different set of opportunities.

Finally, let me ask Caryl, one of the proposals that has been made in the context of the education bill reauthorization is that student financial aid not be available to individuals, until they can either have a high school diploma, or pass a GED. I assume that, in order to do either of those, you have to be literate. Although——

Ms. **Mackin-Wagner**. It would help.

Mr. **Andrews**. [continuing] one sometimes wonders what is coming out of the schools at times. What do you think of that idea? In other words, let me tell you what the arguments I have heard for and against it, and see what you think as an expert in this field.

The argument for it is that, why should we be spending any JTPA, Pell Grant, guaranteed student loan money on someone who cannot read and write. If you cannot read and write, you are obviously going to fail, and it is throwing good money after bad.

The argument against the proposition is that some people will experience what you might call a chilling effect, or they will be scared away from some of the vocational training programs, because they have trouble with academic learning. They have trouble with the literacy training and learning. And that what we are going to do is screen out some people who do want to work, but are somehow scared away, or unable to do the academic work. What do you think of that idea?

Ms. **Mackin-Wagner**. That is a broad-based question. No matter how you look at it, you are dealing with people's fears, regardless. Self-esteem and ego enter into the picture, and as human beings we are supposed to be able to acknowledge that kind of a situation, and encourage, not dissuade, people to come forward.

Mr. **Andrews**. Right.

Ms. **Mackin-Wagner**. And let us face it, the United States has one of the lowest bases as far as education level. We have got people in other countries who are willing to work longer hours, go to school many more days of the week, or rather, many more days of the year, longer school days, than what we have now. We are virtually a lazy group of people. We have come to accept certain benefits that, obviously, we have to realize that just because you are working 9 to 5, or you have a job, does not always entitle you to these benefits.

So, therefore, people who are truly dedicated and determined, would find a way to acknowledge people who we are scaring off, and get them to get the help which is available, which is free, which is private. Because, those poor people are unaware that there is help available to them. And part of our problem is, we do not have the funding to advertise those kinds of programs.

Mr. **Andrews**. I just want to get this on the record, again. Your program is free of charge?

Ms. **Mackin-Wagner**. Free of charge.

Mr. **Andrews**. This is something——

Ms. **Mackin-Wagner**. Free and private.

Mr. **Andrews**. If I understand the way that this works, if I cannot read or write, or if I know someone who cannot read and write and needs help, I can call Focus on Literacy. I will be assigned a literacy volunteer——

Ms. **Mackin-Wagner**. Right.

Mr. **Andrews**. [continuing] who will help me through a program. And I do not pay for that.

Ms. **Mackin-Wagner**. Right, absolutely.

Mr. **Andrews**. Okay. So, just, in conclusion, do you think there should be a literacy requirement or pre-condition to getting this kind of help for job training or higher education?

Ms. **Mackin-Wagner**. Yes, I believe that there should be some sort of penal system which would go through the records to make sure that programs have turned over every rock of available service that is out there for them, for their clientele.

Mr. **Andrews**. And I would just ask you to think about—not today, because it is too difficult of a question—but ways that that requirement might be made more of an aid, and less of a punishment for someone. We do not want to take someone who is 17 years old, and already scared, in a very difficult life situation, and make them feel as if they are being thrust into a learning environment they may have left already, by dropping out of high school. And not make them feel as if they are being punished somehow.

I know your program does not do that. I have had the chance, Chris, the last couple of years, to go to the annual awards ceremony that Caryl's program has. It used to be a luncheon, but with the funding cut backs, there is no luncheon anymore.

Ms. **Mackin-Wagner**. Nothing.

Mr. **Andrews**. But, at least there is an opportunity to say thank you to the people who volunteer. And the people who teach literacy in the program are volunteers. The only money spent in this program is the very minimal expenses to administer it.

Ms. **Mackin-Wagner**. Yes, well, one of the way that we have found to obviously stretch that dollar that is contributed to the program is by housing it without charging rent, and absorbing all the utility costs ourselves, personally.

Mr. **Andrews**. In your home?

Ms. **Mackin-Wagner**. Yes.

Mr. **Andrews**. So, I mean, this is something where we spend, you know, hundreds of millions or billions of dollars on different things in Washington, and we have proof positive here in our district that things can work. We have to try to find a way to help it work better. We appreciate your participation in that.

Ms. **Mackin-Wagner**. Thank you for the opportunity.

Chairman **Perkins**. Well, having concluded with Rob's questions, I would like to say I neglected to introduce two of my staff members, Deborah Katz, here, who is returning to New Jersey. She went to college down the road at Princeton.

Mr. **Andrews**. And has overcome that hurdle.

[Laughter.]

Chairman **Perkins**. And Pat Fahy, who worked 4 years with Senator Simon, doing the JTPA amendments, prior to me enticing her to come over to the House side. I was not sure if it was my sterling personality, or an $8,000 raise I offered her. But, whatever, we were able to get her, and we are very pleased that they could join us today.

I would like to make a couple of brief comments. To Mr. Harris, apparently, Pat has handed me a note saying that new regulations are awaiting clearance at the Office of Management and Budget. These regulations are expected to correct or clarify any conflicting policies regarding the use of Pell Grants in the JTPA programs.

And she will be pleased to put you in contact with the appropriate department officials.

And in directing my comments to Ms. Wagner, or Mrs.—well, Caryl.

Ms. **Mackin-Wagner**. Whatever.

Chairman **Perkins**. We are going to try to see that in any JTPA bill that we put forth this year, that we do try to address the basic skills deficiencies. That those who have them will be addressed in some fashion or other.

Ms. Reese, I think that the problems with creaming that you have been talking about are absolutely on target. We understand that those are something that we are going to have to deal with, and we are going to try to. It is a very difficult question.

And how do you, realistically? You know, I walked into a JTPA graduation 3 weeks ago. One of the JTPA directors in my district comes up and says, Chris, you know, I cream all the time, because of these performance based contracts. She said, "I feel guilty about it."

But, what I do is, I take the best and the brightest, and those most likely to succeed, because I want to make my figures look good, so I can get another contract next year. And how do we still have some sort of performance component, but, at the same time, get away from this kind of demand that drives people in a direction where they feel they have got to cream? How do you accomplish that?

Ms. **Reese**. I really think it can be done if you are comparing similar populations. For example, and I do not know what the national standard from the experts would be, but if the reasonable standard would be that, when you are working with dropouts, 40 percent should be placed, then that should be your minimum baseline for a group like that, to be set in a contract.

The other thing you can do—I like performance based contracts. I was raised by a businessman, and I really do like that approach, even though I am a social worker. What that does not have to always have attached to it are the fiscal disincentives. Give me an installment way of paying me. Let me use any surpluses I get if I exceed whatever this baseline amount is, so that it is a positive incentive for me, which she now can use, and I cannot, to do more for my agency and my program.

So, I think that you have to, just like you would with the mentally ill or anybody else, you can establish baseline minimums for similar population groups, and I think you should. I would never want us to do anything else. I really do think it is one of the best features of JTPA. And I have been in social work a long, long time. I think it is one of its good things.

Chairman PERKINS. Well, I think those are very good ideas, Ms. Reese. I appreciate that.

I could continue on, but I think it is time to let everybody go home. I want to say, I appreciate very much having the opportunity to join you here in New Jersey. I appreciate the invitation from my good friend and diligent worker, Rob Andrews, who has allowed the subcommittee to come here. I think we have been provided invaluable new information that we are anxious to take back to Washington and synthesize into this JTPA bill.

And with that, I am going to let you all go on, and I thank you for coming. This hearing is now adjourned.

Mr. ANDREWS. Thank you.

[Whereupon, at 3:55 p.m., the subcommittee was adjourned.]

[Additional material submitted for the record follows.]

STATEMENT OF

JOSEPHINE NIEVES

COMMISSIONER

NEW YORK CITY DEPARTMENT OF EMPLOYMENT

ON THE JOB TRAINING PARTNERSHIP ACT AMENDMENTS

UNITED STATES HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

JUNE, 1991

Mr. Chairman and Members of the Subcommittee on Employment Opportunities, it is my pleasure to submit this testimony on the Job Training Partnership Act Amendments on behalf of the largest Service Delivery Area in the nation, the City of New York.

The Job Training Partnership Act offers a second chance, a realistic chance, for the hard-to-serve to become productive citizens. Job training also is essential to the economic growth of our great nation. Too many of our citizens are ill prepared to meet our nation's workforce needs as new technologies emerge and employers require higher level skills of their workforce. Without the intervention of federal training dollars, the numbers of the economically disadvantaged will continue to grow, placing additional burdens on government tax dollars, and businesses will be unable to fill many of their higher skilled jobs. During its nine- year history, we have seen JTPA flourish, and with some added enhancements, we know that the program can continue to be key to the effort of offering to the most needy a second chance at the opportunities of our great nation.

In your efforts to ensure the fiscal integrity of JTPA and maximize dollars for direct services, we urge you not to curtail the capability of the administrative bodies primarily responsible for making the system work: SDAs. Although some SDAs have been charged by the U.S. General Accounting Office, the U.S. Inspector General and the media with not meeting the intent of JTPA, we believe most SDAs, like New York City, have exemplary programs that provide extensive services to the hard-to-serve. Our primary concern is that as Congress addresses the abuses of some SDAs, it refrains from legislating requirements that will limit the effectiveness of SDAs and local service providers as core elements of the job training system. For JTPA to remain viable in workforce preparation, Congress must address several key issues that impact on the strength of the SDA network: local flexibility, cost limitations and the allocation formula.

The success of JTPA has and always will rest with the Service Delivery Area, which plans and assures program quality, performance and compliance. The New York City Department of Employment, as the SDA subgrantee, is charged with the challenge of directing limited dollars to a large and diverse eligible population. About 2,500,000 economically disadvantaged persons currently reside in New York City. Yet each year our funding levels allow us to only serve approximately 50,000 individuals or two percent of the people we should be reaching. The eligible population is growing because of the sustained economic downturn New York City is experiencing.

Our diverse population of African-Americans, Latinos, Asians, Haitians and immigrants and refugees from Eastern Europe are served through a network of over 200 contractors, including community colleges, the Board of Education, private for-profit vendors and community-based organizations. Community-based organizations are our primary service providers because of their ability to adapt their training approach to the special needs of their constituencies.

As a subgrantee, the New York City Department of Employment has met the programmatic and fiscal priorities of the proposed JTPA amendments, and we accomplished this through procurement practices that are the most stringent in the country. Our City's procurement process is an elaborate mix of safeguards to assure that only the most responsible organizations with sound fiscal and program track records are chosen as our service providers.

To more effectively target the hard-to-serve, New York City has refrained from using economic disadvantage as its sole criterion for entry in a training program. All contracts are clearly specified and monitored to assure a demographic mix and that those served are truly the "hard-to-serve." Presently, 80% of our youth participants are high school dropouts. The other 20% must read below an eighth grade level or confront other major barriers to employment. In our adult programs, 40% of the participants are public assistance recipients. All others must read below the eighth grade level or be high school dropouts.

In our efforts to best serve the "hard-to-serve," we realize that they must be trained for jobs that offer long-term career opportunities. Our mix of occupational training includes jobs that are classified as medium to high-skilled occupations by the GAO Report, *"Job Training Partnership Act: Services and Outcomes for Participants with Differing Needs."* Only those occupations with career potential are selected for training. Our service design has allowed the hard-to-serve to gain employment in better paid jobs: over 60% of the adults and over 55% of the youth are placed in training related jobs at an average wage of $6.67 per hour and $5.50 per hour, respectively.

Allocation Formula

The New York City Department of Employment has been in the forefront in advocating a change in the allocation formula. The current allocation formula does not give sufficient weight to the high concentration of persons living below the poverty level. Unemployment is not a true measure of the incidence of poverty as evidenced by the fact that New York City's labor force participation rate is 57.5% as compared to 65.4%, nationwide. Congress should be mindful that needed changes in JTPA did not take place last year because of the impasse on correcting the inequities of the allocation formula.

We believe that the proposed formula in last year's Senate bill (S.543) weighing 75% on economically disadvantaged and 25% on unemployment factors still offers the best hope to balance JTPA's dollars with the incidence of the hard-to-serve. We also support a provision in the Administration's proposed amendments that requires states to allocate to SDAs those amounts determined by the Secretary of Labor. This will assure a more equitable distribution of funds to SDAs with higher concentration of economically disadvantaged persons that their state.

Local Flexibility

The JTPA Service Delivery Areas are diverse in their size and needs. The New York City SDA has a large number of service providers as compared to smaller SDAs. Our public transportation network links most of our communities, while commuting large distances is a problem for participants in suburban or rural SDAs. The City's funding level, although insufficient to meet the needs of our residents, allows for the use of a large contractor network. Smaller SDAs have fewer service providers and many localities must rely on outside funding to exist.

To meet the unique needs of more than 700 SDAs, JTPA should allow for maximum local flexibility and not prescribe service levels and approaches that impair on the SDAs' ability to meet the needs of its population. Because SDAs are as diverse as their target populations, we urge Congress to sustain local flexibility in the set-aside, on-the-job training, and the job search assistance language in the JTPA amendments.

Set-Asides

New York City has always been opposed to set-asides, because they have proven to be detrimental to funding levels and local planning processes, have created delays in funding and imposed another administrative layer on JTPA. We therefore, cannot support the Administration's proposal to set-aside 5% of the SDAs allocation for State Education Coordination and Grants. While coordination between education and training programs is essential, it can best be carried out at the local level.

A more effective approach would be to require SDAs to fund school-to-work transition and adult learning opportunity programs. To achieve realistic coordination and linkages, the SDAs and local education agencies should develop and implement joint funding arrangements using other federal funds. Such an approach would ensure better linkages and increase performance.

On-the-Job Training (OJT)

OJT offers SDAs a method to meet both the federal requirement of limiting training to demand occupations and to address the career goals and needs of JTPA's eligible population. Historically, it has offered the largest range of training occupations and has also allowed hard-to-serve participants, who normally do meet employer hiring requirements, to gain employment. As a training modality, OJT programs have always exceeded the New York City SDA's JTPA performance goals and are highly effective in providing services to males in occupations not suitable for classroom training. Nationwide, males have always been underserved.

Congress needs to recognize that On-the-Job Training has been an effective vehicle in serving special population groups. OJT service providers who have developed working arrangements with the criminal justice system, local economic development agencies, and agencies serving groups such as public assistance recipients, substance abusers and the homeless have found OJT the most effective mode in serving these groups. To limit the use of multiple broker contracts would impact negatively on our service capabilities for these target groups.

The strongest link between the private sector and JTPA has been, and should continue to be, OJT. The primary private sector providers are small employers who usually train one or two participants. Congress and the U. S. Department of Labor's concern about on-the-job training must not result in future guidelines that will restrict its use and, in effect, discourage employers from participating in the program.

Job Search Assistance

The bill that will soon be before you would also impair local flexibility by limiting job search training and direct placement services to only those participants who are enrolled in basic skills and occupational skills training. The Department of Employment strongly believes that SDAs need to continue to have the flexibility to provide job search assistance to clients who do not need training or who require a job to meet immediate financial needs. Not only do our contractors provide a range of services that are not available through the federally funded State Employment Services, but our comprehensive centers are located in neighborhoods where the most needy live. The loss of these services would be devastating to low-income people in New York City.

Youth Opportunity Programs

The youth of today are the promise of tomorrow. The major challenge facing the nation's workforce development efforts is to equip school dropouts, with limited basic and occupational skills, to meet the growing skills requirements of the workplace. Basic education and skills training are only a portion of the services they need to make a productive transition. Problems such as lack of self-esteem, substance abuse, and fear of failure need to be addressed with a full range of social services, job readiness and world of work instruction. New York City looks forward to supporting the national goals to help youth who have failed to realize their dreams for tomorrow.

The City of New York supports the administration's proposal to create a year-round youth program, provided that summer employment remains an option for SDAs. However, the proposed requirement that 60% of the service population be out-of-school youth who are participating in an education or training program will greatly reduce the number of youth that could be served in a summer jobs program. With an estimated local school dropout rate of 32%, it would be disasterous for Congress to propose reductions in the summer jobs program.

Contrary to common perception, the summer jobs program does have a long-term impact on in-school youth. It provides the economic means for poor youth to stay in school and an opportunity to gain experience and build a resume. It should be self-evident that low income youth with a prior work history are better able to compete for jobs than those who have never worked.

A service strategy for all in-school youth as a requirement for participation in the summer program would present problems to New York City and many SDAs. Preparing and collecting upwards of 20,000 strategies for students enrolled in NYC's 300 public schools would be costly, difficult and time-consuming.

Cost Limitations

Probably more than anything else, current and proposed cost limitations as well as the Labor's Department definitions, coupled with proposed limitations on fixed-unit-price/performance based contracts, will have the greatest impact on the ability of SDAs to effectively administer the JTPA program. It is the SDA, not the federal or state entity, that must share the proposed 20% limit on administrative dollars with the services providers, be responsible for ensuring quality training and comply with JTPA regulations. Congress and the Department of Labor should be aware that administrative costs are a product of a four-to-five tiered administrative cost arrangement. Both the federal government and the states have ample funds to cover their administrative requirements. However, their role in promoting the quality of the delivery system is more administrative than programmatic.

The reality is that service provider administration costs, using current Labor Department definitions, can range from 15% to 30% and upwards of 95% of an SDA's administrative budget. Furthermore, without the use of fixed-unit-price/performance based contracts, the SDA's subgrantees administrative budgets could fall to as low as 5% of their grant, if not far below actual administrative costs allocations. It was a reality in 1983 and even more of a problem today since overall funding has dropped 5.7% and the cost of living has risen over 37%. The cost limitations will further immobilize many SDAs who no longer will be able to supplement the JTPA administrative budget with local dollars, let alone assume the cost of administering the grant.

It is also our position that legislative and regulatory cost limitations can have a negative effect on both the programmatic and operational capacity of the JTPA system, particularly if fixed-unit-price/performance based contracts are limited to "off the shelf" training programs and tuition-based programs. This would force SDAs to fund a few large contracts at the expense of a network of smaller, community-based organizations better suited to meeting the unique needs in their communities.

Legislative proposals claim that changes are needed to serve the most needy in the general population. Yet they propose to cap expenses for training related and support services at 30%. These are contradictory proposals because they only limit the ability of SDAs to provide services needed by the hard-to-serve and to adequately support participants in long-term training. The true cost for training related and support services can range from 35% to 40%. We disagree with the proposal to include counseling and job development as a training related cost. Counseling and job development are as essential to the training of the hard-to-serve as is instruction, and should continue to be an allowable training cost.

Mr. Chairman and members of the Subcommittee, keep in mind that JTPA is a partnership with the private sector. What fixed-unit-price/performance based contracting has done is put JTPA on a business-like basis. Rather than reimbursing contractors for their expenses, regardless of performance, service providers are paid only when they perform. The impact on performance and cost effectiveness has been impressive. It has resulted in more training slots and increased performance. Marginal and failing contractors are easily weeded out, and fixed-unit-priced/performance based contracts have given service providers added flexibility to adjust their costs to meet the emerging needs of the population to be served.

Conclusion:

Let me close with what I believe to be the most important lesson for the future of workforce preparation which came from our country's recent victory in the Persian Gulf. The United States won because Operation Desert Storm deployed smart weapons that were operated by smart forces heavily represented by minorities. Congress needs to question why our military succeeded in training its forces in the use of the most sophisticated and advanced technologies, while American business is crying for a workforce that cannot meet even the most rudimentary requirements. The answer is simple. Training has always been the military's first priority. The military knows the requirement of each and every job and spends millions in training. It marshalled the resources required to produce a military force capable of carrying out each and every assignment. Its method proved that everyone is trainable.

To produce a workforce capable of meeting the economic challenges and workforce requirements of the '90s, Congress must give job training the same priority given to it by the military. Dollars must be directed to implementing training approaches for the hard-to-serve -- individuals who largely have been left behind by our educational system. This requires strong, viable programmatic efforts by all of us. I believe the Job Training Partnership Act is the vehicle to accomplish this important goal. In your effort to ensure fiscal integrity and to maximize dollars for direct service, don't let the administrative details detract from the primary goal of JTPA: to offer a second chance to the needy of our country to become part of a well trained, competitive workforce that can meet the challenges of the international economic battlefield.

HIGHLIGHTS
OF
NEW YORK CITY DEPARTMENT OF EMPLOYMENT'S
COMMENTS AND RECOMMENDATIONS ON
THE U.S. DEPARTMENT OF LABOR'S AMENDMENTS TO THE
JOB TRAINING PARTNERSHIP ACT
JUNE, 1991

Economically Disadvantaged: Amend definition to include not only those individuals who receive food stamps but also those who are eligible for food stamps. This is in line with the recommendation made by the National Commission for Employment Policy in their report entitled, "Training Hispanics: Implications for the JTPA System."

Performance Standards: Adult employment enhancement outcomes might be better utilized as extra credit values in determining an SDAs adult performance, rather than establishing a separate standard.

Human Resource Investment Councils: DOE views the proposed establishment of this council as a positive step to ensure coordination of services at the state and local level.

Set-Asides: The Department of Employment does not support set-asides or designated funding. Set-asides, particularly those that are administered by another state agency, have created funding delays, impaired local planning efforts, limited local funding and created yet another administrative layer. While coordination with education programs is essential, it can best be carried out at the local level.

For these reasons we oppose the 5% set-asides for the State Education Coordination and designated funding for older workers. We do support legislation for special target groups that is coupled with funding

Limitation of Certain Costs: DOE supports an increase in administrative costs. However, since SDAs must share administrative costs with service providers (unlike the Federal and State entities), even with an increase to 20%, the SDAs will be strapped.

JTPA amendments should establish a separate administation cost limitation of 15% for SDAs and another cost limitation of 15 % for service providers. The administrative cost of service providers should be limited to costs generally accepted by the accounting industry as general and administrative.

Training and technical assistance activities designed for capacity building should be charged to either a new cost category or to training.

The proposed 30% lid on training-related and supportive services will limit support services to the hard-to-serve and the amount of needs based payments to participants in long term training. Therefore, we believe that counseling and job development should be charged to training.

Fixed Unit Cost/Performance Based Contracts: The Department of Employment opposes language in the legislation that would eliminate Fixed Unit Price/Performance Based Contracting. The efforts by the U. S. Department of Labor to further reinforce the March 13, 1989 notice are sufficient to ensure fiscal integrity and cost-reasonable contracts. Performance Based Contracts should be maintained as they have improved both the performance and quality of services.

We also recommend that programs with competency-based curricula approved by the PIC should not be required to breakdown costs. We support a provision in the legislation that would give the Secretary of Labor the authority to disallow the use of these contracts by Service Delivery Areas who are found by audits to have misused JTPA funds.

Allocation Formula: New York City strongly supports the language in the Administration's bill that would have States allocate "to the services delivery areas within the State such amounts as determined by the Secretary using the allocation formula." This would eliminate funding limitations of SDAs with needs indices that are higher than that of their state.

The allocation formula for adults and youth should be weighted 50% on the relative number of economically disadvantaged, 25% on the concentration of economically disadvantaged and 25% on the relative number of unemployed individuals residing in areas of substantial unemployment.

On-the-Job Training: On-the-Job Training offers SDAs a method to meet both the federal requirement of limiting training to demand occupations and addressing the career goals and needs of JTPA eligible participants. JTPA amendments should refrain from creating a legislative climate that will result in regulations and guidelines that discourage firms from participating in OJT.

Job Search Assistance: We oppose the provision that would limit job search assistance to clients who are or have engaged in either basic or occupational training.

Youth Programs: We propose that summer program enrollment should be excluded from the 60% out-of-school participation rate.

Because of the size of New York City's summer employment program, we oppose the requirement of a service strategy for summer youth employment participants who are not engaged in a year-round youth program.

Participants who only enroll in the summer program should be excluded from youth performance standards.

Youth Opportunities Unlimited: We strongly support the inclusion of this program under Title IV. However, SDAs with a high density population should be allowed a waiver from the target population limit of 25,000.

Sunset Provision: The permanent authorization of JTPA must be maintained. A sunset provision could subject JTPA to periodic changes in order to insure the program's reauthorization.

GAO
United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

August 13, 1991

The Honorable Carl C. Perkins
Chairman, Subcommittee on Employment
  Opportunities
Committee on Education and Labor
House of Representatives

Dear Mr. Chairman:

The enclosure to this letter contains our response to a series of questions submitted by Representative Steve Gunderson following our May 9, 1991, testimony before your subcommittee. Our testimony focused on the adequacy of oversight in the Job Training Partnership Act (JTPA). The enclosure contains the questions raised and our responses. If you or Mr. Gunderson should have any questions or need additional information please contact Sigurd Nilsen or Thomas Medvetz of my staff on (202) 523-8701.

Sincerely yours,

Franklin Frazier
Director, Education and
  Employment Issues

Enclosure

RESPONSES TO QUESTIONS SUBMITTED BY REPRESENTATIVE STEVE GUNDERSON

1. **When do you expect the report discussed in your testimony to be released:**

   Our report, entitled Job Training Partnership Act: Inadequate Oversight Leaves Program Vulnerable to Waste, Abuse, and Mismanagement (GAO/HRD-91-97) was issued in prepublished form on July 30, 1991. We are enclosing a copy for your use. The printed version of this report will be issued in the next few weeks and we will provide you with a copy at that time.

2. **In your testimony, you mentioned significant problems with OJT contracts in the JTPA system. The Department of Labor issued non-mandatory policy guidance on OJT in 1989. Has your study shown any impact from this issuance? Had the policy been mandatory, would this impact have been different? Would it have addressed the problems you identified?**

   Labor's policy guidance, issued on March 13, 1989, primarily focused on acceptable fixed unit priced, performance-based contracts. A portion of this guidance permits the use of one general OJT contract with a public agency, community based organization, or other service provider in order to facilitate providing OJT contracts for individual or small groups of participants and for large, less populated service delivery areas. The vast majority of OJT contracts we reviewed were not of this type. Furthermore, the problems we noted with OJT contracts concerned the excessive length of such contracts, lengthy contracts for those with significant experience in the occupation for which they were being trained, and OJT contracts for persons already employed by the company. Labor's guidance does not provide direction for determining the appropriate length of training nor does it address the other problems we noted. Therefore, it appears that these guidelines had little impact on the problems we identified and that making them mandatory would not alter this outcome.

3. **Would the DOL draft proposal (to amend JTPA), if adopted, address the OJT problems you have found? Would adoption of the OMB Circulars similarly address the problems? What gaps, if any, would be left by the two approaches which Congress should consider?**

Labor's legislative proposal for OJT would be a positive step. However, we believe that it needs to be modified. With respect to the length of training, the proposal merely suggests that consideration be given to recognized reference material, such as the Dictionary of Occupational Titles. While we believe that SDAs should have flexibility in determining the length of OJT training, we also believe that they should provide their basis for extending such training beyond that specified in the above reference material. Furthermore, we believe that Labor and the states should be directed to include as part of their monitoring efforts, a review of OJT contracting to prevent and detect waste and abuse in this training activity.

We have not performed an assessment of the impact that the OMB Circulars would have on JTPA, in general, and OJT in particular. Labor's Office of Inspector General has, however, looked at the issue of subjecting JTPA to the requirements of the OMB Circulars, in general. The IG's past audit work has disclosed persistent and pervasive problems predominantly in the areas of procurement, profits, cost accountability, contractual procedures and financial reporting. According to the IG, these findings exist, in part, because Labor's controls and uniform guidance are weak or nonexistent. It is the IG's opinion that the adoption, or at least application, of the OMB Circulars to the JTPA program, and more control and specific direction for program design and performance standards, would establish uniform requirements throughout the JTPA system and address most of the deficiencies it has reported.

Labor's IG has not focused specifically on the issues we identified with respect to OJT. It would appear that these issues are so narrowly focused and JTPA program specific that the Circulars would be applicable only in a very general way and would probably not adequately address these issues.

4. **Are there other areas of concern to GAO in JTPA which are not addressed by the Administration's proposal? Would these areas be addressed through adoption of the Circulars?**

There are several areas that remain a concern to us in spite of Labor's legislative proposal. Its proposal provides that program costs be charged to one of three cost categories including the training related and supportive services category. We believe that combining training related costs with supportive services will obscure the amount that is actually spent on each and particularly on supportive services, which are needed by many potential participants to receive JTPA training services.

Furthermore, the 20 percent limitation placed on administrative costs is based on the amount of funds "available." Our work, as well as that of Labor's Inspector General, has shown that the use of "available" funds makes a determination of the amount that can be charged to the administrative cost category extremely difficult because the commingling of multiple year carryover funds obscures the permissible limit on administrative costs. Therefore, we support the language contained in H.R. 3033 that bases such limitation on the amount of funds annually allocated.

Another issue, that you recognize in your questions, is that the vast majority of JTPA participants already have at least one of the employment barriers to be targeted under Labor's legislative proposal. Thus, Labor's targeting proposal may have little impact on who is served. As we pointed out in our May 9, 1991, testimony, if the intent of this provision is to place greater emphasis on training hard-to-serve individuals, then a more effective approach might be to concentrate on those facing more than one employment barrier.

The last area of concern relates to the provision requiring state on-site monitoring of each SDA and substate area to ensure compliance with procurement standards. Our conclusion that JTPA oversight is inadequate is based on more than just procurement-related problems and includes inappropriate classification of costs, failure to adhere to cost limitations, and lack of proper inventory control. Thus, while we strongly support the requirement for on-site monitoring, we believe that it needs to be expanded to include other areas of weaknesses, such as those revealed by our recent work.

Based on our limited knowledge of the OMB Circulars, it does not appear that the Circulars would adequately address the above issues, if adopted.

5. **In your testimony, you have stated that GAO does not support expanding adult competencies to include acquisition of basic skills. Would you support such an expansion if the acquisition of skills were not a stand-alone measure, but must be in combination with either an increase in employment and earnings or a decrease in welfare dependency?**

GAO does not object to JTPA providing participants with the skills needed to attain adult competencies but we are opposed to the use of competencies as a performance measure. As we stated in our testimony on May 9, 1991, we believe that basic and other skills can significantly contribute to an individual's employability, but that adult competencies should be considered as a means to an end--the end being a quality job placement--and not an end itself. Therefore, we would support as an acceptable outcome measure the attainment of an adult competency when combined with another performance indicator, such as a job placement. Labor's legislative proposal now contains such a provision.

6. **To follow up, if the principal outcome measure of performance in the system continues to be simply job placement, won't SDAs be further encouraged to "cream" rather than increasing targeting to the hard-to-serve, especially given your estimates that about 71% of current JTPA participants already have an additional barrier to employment?**

Retaining job placement as the principal performance measure could encourage SDAs to "cream" if the characteristics of the targeted population are not taken into consideration. We recognize that individuals with one or more employment barriers are more difficult to place in unsubsidized employment even after training. However, the act permits the states to modify performance standards, within parameters established by Labor, based on individual state and SDA factors including the characteristics of the population to be served. Thus, under this provision the states can adjust performance standards so that SDAs can target services to the hard-to-serve and still meet established performance standards.

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